Service and -
Patronage:

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, June 11, 1954

[illegible] Departmental Security Programs. (The President)

2. Administration Steps to Strengthen National Economy. (Dr. Arthur Burns)

A full presentation of additional actions available to the Administration for strengthening the national economy.

Estimated time: 30-plus minutes.

3. Progress Report on International Labor Organization. (The Secretary of Labor)

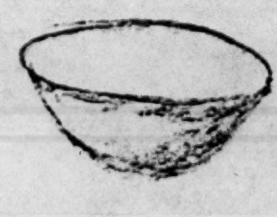
At the present time important meetings of the I. L. O. are being held in Geneva to which Russia, for the first time in sixteen years, has sent representatives. The Secretary of Labor will give an interim report on the status of the fight which Communism is attempting to make at this conference to influence world-wide labor opinion.

Estimated time: 15-plus minutes.

4. Preparation for Congressional Appearances. (General Persons)

Cabinet and Sub-Cabinet members have experienced considerable difficulty in their appearances before Congressional committees which can be traced to the fact that proper groundwork has not been done in contacting chairmen and friendly Congressmen to get the benefit of their advice and support.

Estimated time: 5 minutes.



Mr. Rabb

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, June 11, 1954

✓ 1. **Departmental Security Programs.**
(The Attorney General)

✓ 2. **Administration Steps to Strengthen the National Economy.** **(Dr. Arthur Burns)**

✓ 3. **Interim Report on International Labor Organization.**
(The Secretary of Labor)

✓ 4. **Preparation for Congressional Appearances.**
(General Persons)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

June 11, 1954

10:00 A. M. to 11:45 P. M.

The following were present:

President Eisenhower

Deputy Under Sec. Robert Murphy
    (for Sec. Dulles)
Sec. Wilson
Under Sec. Marion Folsom
    (for Sec. Humphrey)
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Gov. Stassen
Dr. Burns
Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Mr. Hagerty - in part
Dr. Hauge "
Mr. Harlow "

Television Appearances - Administration Program - The President expressed his feeling that he should not request the broadcasting networks for time too frequently, and that it would be most desirable for Cabinet members to follow up the lead he had given in his Thursday night broadcast in behalf of enacting the Administration program. He asked Mr. Hagerty to work particularly closely with Secretaries Humphrey, Benson and Hobby, and the Attorney General to schedule suitable television dates. Mr. Brownell stated his additional hope that the President would make several more appearances in behalf of specific parts of the program.

Personnel - The President noted that the Special Assistants for personnel matters seemed in some cases to feel isolated in their posts, and he asked that each department head arrange quickly a conference with the Personnel Assistant as evidence of strong support and interest.

Employee Security Program - Mr. Brownell called attention to a list of some 500 Government employees on an FBI "pick-up list" in case of an emergency and the need for security processing of these people in the immediate future. He proposed a series of meetings of security officers of the 8 or 9 agencies having the bulk of these cases in order to discuss public relations aspects and differences of standards. He believed it undesirable to have any authority dictate a single standard but thought such conferences would avoid sharp differences.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

The President expressed agreement for a first meeting, at which time the desirability of making them periodic could be determined, and he noted the continuing confusion over the term "security risk" which ought be cleared up on the simple standard of whether a person is worthy of a job with the Federal Government or not -- a type of decision which is made daily in every walk of life.

Sec. Wilson reviewed the handling of investigation of Midshipmen and he announced his decision to clear the three pending cases.

Gov. Adams commented on the need for continued close scrutiny since there were still in Government persons known to top security officials as definite risks. He urged that each Cabinet member consult with Mr. J. Edgar Hoover as to Government employees regarded as critical risks.

Sec. McKay took notice of a delay in Civil Service processing of reviews and suggested the possibility of incompetent personnel on panels. Mr. Flemming pointed to the responsibility of department heads in naming such personnel and their power to recall them.

Economic Situation - Dr. Burns described the current economic situation as similar to the downturn of 1948 and considerably milder than 1937-38, and he cited statistics from important indices. He pointed to definite evidence that recovery is underway but that the possibility remains of its being abortive. He recommended strongly therefore the following additional Administration actions: (a) Continued pressure for enactment of economic measures in the President's program, particularly housing, which has probably the largest potential for expansion; (b) informal advice by the Secretary of the Treasury to private banks with a view to decreasing the record differential between the high commercial rate of interest on ordinary loans and the low commercial paper interest rate; (c) more rapid processing of loan guarantees by the Veterans Administration and FHA; (d) more expeditious letting of contracts by the Forest Service; (e) approval by Agriculture of guaranteed occupancy contracts for storage facilities; (f) issuance of new Veterans Administration regulations concerning the home modernization and repair loans; (g) prompt advance repayment by Internal Revenue to over-assessed taxpayers; (h) early determination by the FPC as to licenses for gas lines to the Pacific Northwest; (i) revision by Treasury of depreciation life tables; (j) timely action by the Bureau of Public Roads to reach informal understanding with the States as to highway programs so that they may be put into effect formally and immediately when the 1954 Highway Act takes effect July 1st.

The President noted limitations on the extent to which Congress could be pushed. He believed, however, that appropriate Members of Congress would recognize the political benefits if not the economic benefits of the housing program should Arthur Burns discuss the matter with them at a luncheon which Gen. Persons might arrange. The President also called attention to the proposal for a self-liquidating network of public roads which is not yet sufficiently advanced for announcement. Gov. Adams subsequently explained the study being made by Commerce, Treasury, Budget and Dr. Burns of this project which may reach an annual expenditure of $5 billion. He emphasized

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHC NLE, Date 8-4-76

the first need of developing strong support at the State and local level and the possibility of doing so in time for public announcement by the President at the Governors Conference in July.

Secretaries Weeks, Benson and Folsom discussed the actions already under way on Dr. Burns' recommendations. Messrs. Wilson, Hughes and Folsom explained some of the factors causing the high interest rate on ordinary loans, but Gov. Stassen and Dr. Burns emphasized the danger of a continuing high differential. The President believed he might profitably say a few words to some of his banker friends.

Sec. Wilson called attention to several contracts for generators which might be awarded within the US at greater cost to help relieve unemployment. The President remarked on the Secretary's responsibility for making such decisions himself.

Sec. Weeks raised the matter of unemployment in the watch making industry and an allied matter of a Defense Department cancellation on "M-5" contracts. Sec. Wilson agreed to look into the latter. Messrs. Brownell and Weeks expressed the desire to speak on the matter of skilled labor and watch tariffs, and note was made of Dr. Flemming's study on the problem.

Sec. Wilson recalled an item in Dr. Burns' report to the effect that the work week may decline during the coming years, and he warned against such an outcome as reducing the national productivity and leading into lengthy periods of depression as in the 1930's. He felt any move toward a 35-hour week ought be resisted and certainly the US should not encourage foreign countries to reduce their work week. Dr. Burns made clear that this was merely a rough projection of existing trends.

Throughout this discussion the President repeatedly emphasized the need for accomplishing quickly whatever the Federal Government might legitimately do to strengthen the economy. He called for a report at the next Cabinet meeting from those department heads affected by Dr. Burns' recommendations.

International Labor Conference - Sec. Mitchell reported on the fine performance of the American delegation at this conference, noting particularly the high calibre of the delegates which included Assistant Attorney General Warren Burger and Gov. Langlie, and also the participation of all interested Executive departments. He noted the position taken on the advice of the State Department by the US delegation against having Russia represented by the customary tripartite group, for labor, industry, and government were all wrapped in one -- government -- in Russia.

Congressional Relations - General Persons urged Cabinet members to prepare thoroughly for appearances before Congressional Committees by consulting in advance with Committee Chairmen and friendly Members of Congress concerning objectives, material to be presented, and any problems likely to be encountered during the hearing. He emphasized also the importance of giving friendly Members of Congress advance notice concerning actions affecting their constituencies. Particular note was made of the need for so informing Representatives as well as Senators.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By SHC NLE, Date 10-25-77

Cabinet Minutes, June 11, 1954 - page 4

Export of Steel Mill Equipment - Sec. Weeks called attention to the strong opposition voiced by Sen. Welker to the proposed export license for steel mill equipment for Argentina. He noted that the approval of CIA, Justice, Treasury and State had been secured and that the Argentine Government had given assurances against re-exportation of the equipment. The Attorney General noted that some reason existed for suspecting the assurances of the Argentine Government, inasmuch as Czechoslovakia had been attempting to purchase this equipment for many years. It was agreed that Sec. Weeks should go ahead with the license but that an effort ought be made by Sec. Weeks to explain the reasons to Sen. Welker. General Persons spoke on the impossibility of having the small White House staff carry out the liaison on problems such as this.

L.A.M.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

PERSONAL AND CONFIDENTIAL

MR. RABB — Please destroy when no longer used.

NOTES ON CABINET MEETING
June 11, 1954

ll	Television Appearances - Administration Program - The President stressed the need for additional television appearances by those Cabinet members whose departmental recommendations form a principal part of the Administration program and are now before Congress. In addition, other Cabinet members who have appearances already scheduled are urged to emphasize the need for enactment of the Administration program.
ll, except Dr. Burns	Personnel Assistants - The President requested Cabinet members to arrange for discussions as soon as possible with their Special Assistants on personnel matters for the purpose of giving them encouragement and assistance.
ll, except Dr. Burns	Departmental Security Programs - The Attorney General will arrange in the near future for a meeting of those departmental security officers most concerned with particular aspects of the employee security program. Such meetings may be held periodically if proved beneficial.
Dr. Burns Treasury Commerce Agriculture Budget	Economic Situation - In connection with the recommendations for strengthening the Nation's economy which were proposed at today's meeting, the Secretaries of Treasury, Commerce and Agriculture will report at the next Cabinet meeting on actions taken. Governor Adams will have reports prepared with respect to those agencies not represented at Cabinet.
All	Congressional Relations - (a) As a means of preparing thoroughly for appearances before Congressional Committees Cabinet members were urged to consult in advance with Committee Chairmen and friendly Members of Congress concerning objectives, material to be presented, and any problems likely to be encountered during the hearing.
All	(b) The importance of giving friendly Members of Congress advance notice concerning actions affecting their constituencies was emphasized. Particular note was made of the need for so informing Representatives as well as Senators.
Commerce State Treasury Justice	(c) The Secretary of Commerce will inform Sen. Welker of the pertinent considerations concerning action on the license requested for export of a steel plant to Argentina.
All	Cabinet Schedule - The next Cabinet meeting will be held on Friday, June 18th, at 10:00 A.M. The following week, the Cabinet meeting will be held on Thursday, June 24th, from 11:15 A.M. to 1:00 P.M.

- - - -

PERSONAL AND CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL

June 11, 1954

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Television Appearances - Administration Program - The President stressed the need for additional television appearances by those Cabinet members whose departmental recommendations form a principal part of the Administration program and are now before Congress. In addition, other Cabinet members who have appearances already scheduled are urged to emphasize the need for enactment of the Administration program.

Personnel Assistants - The President requested Cabinet members to arrange for discussions as soon as possible with their Special Assistants on personnel matters for the purpose of giving them encouragement and assistance.

Departmental Security Programs - The Attorney General will arrange in the near future for a meeting of those departmental security officers most concerned with particular aspects of the employee security program. Such meetings may be held periodically if proved beneficial.

Congressional Relations - (a) As a means of preparing thoroughly for appearances before Congressional Committees, Cabinet members were urged to consult in advance with Committee Chairmen and friendly Members of Congress concerning objectives, material to be presented, and any problems likely to be encountered during the hearing.

(b) The importance of giving friendly Members of Congress advance notice concerning actions affecting their constituencies was emphasized. Particular note was made of the need for so informing Representatives as well as Senators.

Cabinet Schedule - The next Cabinet meeting will be held on Friday, June 18th, ~~at 10:00 A.M. The following week the Cabinet meeting will~~ be held on Thursday, June 24th, from 11:15 A.M. to 1:00 P.M.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Honorable Harold E. Stassen
Director
Foreign Operations Administration

THE WHITE HOUSE
WASHINGTON

June 10, 1954

MR. RABB:

MR. WILLIS called - and asked me to tell you that: THE PRESIDENT has asked that he be reminded at Cabinet to remind the Cabinet that the Special Assistant Personnel Management Program, which they agreed to in December - that the Cabinet members assist and give them a boost more than anything else; i.e., the PRESIDENT suggest that they call in their Special Assistants charged with this program and discuss with them what they need -- how much of a boost to give them - and to help them with any problems they might have with authority.

BR

THE WHITE HOUSE
WASHINGTON

June 11, 1954

MEMORANDUM FOR THE PRESIDENT

You wanted to be reminded to discuss the question of patronage and the special assistants whom Cabinet members have selected to handle personnel and patronage problems at the policy level.

It would be useful for the Cabinet secretaries to call in these assistants in order to obtain a picture of current problems and to devise means of giving these aides support in this area.

Maxwell M. Rabb

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 10, 1954

MEMORANDUM

To : Mr. Maxwell B. Rabb

From: Arthur F. Burns

I am attaching copies of the revised memorandum on "The Administration Program for Economic Expansion" for distribution to the Cabinet members.

Attachment

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL OF ECONOMIC ADVISERS

June 9, 1954

The attached statement has been prepared by the Council of Economic Advisers at the request of the President.

This document is a revision of a similar memorandum, dated May 17. The latter should be discarded.

Arthur F. Burns
Chairman

Attachment

THE ADMINISTRATION PROGRAM FOR ECONOMIC EXPANSION

In his Economic Report of January 1954 President Eisenhower said: "Our economic goal is an increasing national income, shared equitably among those who contribute to its growth, and realized in dollars of stable buying power. To achieve this goal, the dynamic forces of our society must be fully released. Accordingly, Government programs must be designed to help maintain reasonable stability during periods of readjustment and to encourage long-term growth."

This Administration has always held the steady growth of the economy to be its positive objective. It is not satisfied by such merely negative aims as erection of defenses against depression, or the curbing of economic setbacks. Nor will it tolerate stagnation of the American economy. The aim of this Administration is a dynamic one--to foster a steady expansion of the economy at the highest sustainable rate, while maintaining stable prices and a dollar having constant purchasing power. The nation's economic expansion must always be well proportioned and soundly financed. Otherwise, economic development can become ill-balanced, costs and prices can become maladjusted, and the rate of growth of the economy can be set back.

Reasonable Targets of Economic Expansion, 1954-59

The growth potential of the US economy is truly remarkable. Without engaging in prediction, and recognizing that the progress of a free economy is inevitably somewhat uneven, it is useful to consider what gross national production and personal income can be achieved during the next five years, on a basis of reasonable assumptions regarding the growth of our population and work force, the increase of productivity and trends in the workweek.

With the marked increase in births during the early 1940's, the population of working age (14 years and over) may be expected to increase rather substantially. Allowing for the continuation of such long-run trends as increasing school attendance for longer periods, some decline in the over-all rate of participation in the work force may be expected. Nevertheless, the work force may increase during the next five years by 200,000 to 300,000 more persons per annum than it has increased during the last few years. It is assumed that employment of 96 percent of this work force would represent reasonably full employment in a dynamic economy. A moderate decline is probable in the average length of the workweek over the next five years; and an annual growth in productivity of about 2.5 percent per year may be projected, as a result of rising research and development activities in government and industry.

Under the stated assumptions, we may think of an annual expansion of our gross real production of goods and services by about $15 billions on the average during the next five years. It would be reasonable to expect the annual rate of gross national production to rise from the current level of about $358 billions and to reach an annual rate of nearly $440 billions by the first half of 1959.

Achievement of this rate of expansion would involve more than a 20 percent increase in the gross national product, and a substantial lift in the living standards of the average American household.

Measures Taken or Proposed by the Administration to Foster Economic Expansion

The economic program of this Administration is primarily designed to foster economic expansion. The Administration has acted vigorously under existing legislation to encourage economic growth. It has sponsored or endorsed a broad program of new legislation for this purpose.

1. Elimination of direct economic controls.

The Administration wasted no time in ridding the economy of direct controls of wages, prices, rents, and inventories, which were interfering with competitive forces of the market and hampering economic development. These measures were taken between February and July 1953.

2. Research and development.

Economic progress depends on the evolution of new products and processes, which requires, in turn, continuous research and development activity. Although total Federal expenditures, and expenditures on national security, have been substantially reduced, this Administration is maintaining Federal expenditures for research and development at more than $2 billions per annum.

3. Resource development and highways.

a. The Administration has sponsored measures to construct the St. Lawrence Seaway cooperatively with Canada, which will contribute to the growth of the economy by more efficient use of natural resources.

b. The Administration sponsored legislation allowing a substantial increase in Federal aid to highways for the fiscal years 1955 and 1956, over fiscal year 1954, and involving prospective annual Federal aid of $956 millions.

4. Atomic energy.

The Administration proposes to speed-up the application of atomic energy to agricultural, medical, and industrial uses, by relaxing limitations on the leasing of fissionable materials, by licensing private operation of atomic reactors, by providing government materials and services at fair prices in the initial stages of industrial development of atomic energy, and by liberalizing the use of Federal patents. These measures have unknown but potentially profound effects upon the growth of the economy.

5. Public works planning.

Recognizing that a growing economy generates needs for buildings and engineering projects that clearly lie outside the realm of private enterprise, the Administration has provided for a coordinator of public works within the Council of Economic Advisers to coordinate and encourage an orderly development of public works programs, Federal, State, and local. It has also recommended public works planning advances to State and local governments to aid them in these activities. These measures will foster economic growth by encouraging that enlargement of our public assets that is required if the growth of the private sector of the economy is not to be checked.

6. Agriculture.

The Administration proposes a gradual shift to a system of flexible price supports for basic agricultural commodities as a measure to facilitate the adjustment of American agriculture to changing domestic and foreign demands. This will foster economic growth by bringing about a more efficient use of our labor and capital.

7. Old-age and survivors insurance.

The Administration has recommended legislation to extend the coverage of OASI to 10 million additional workers, to liberalize monthly benefits, and to make it possible for older workers to continue in private employment without losing benefits. By relieving more workers from anxiety about old age, these measures should increase their productivity and lead to more ample and stable expenditures from current income, and so promote economic growth and stability.

8. Unemployment compensation.

The Administration has recommended the extension of the coverage of the unemployment insurance systems to several millions of additional workers, an increase in the amount and duration of benefits paid to unemployed persons, and the provision of Federal aid in the form of noninterest-bearing loans to strengthen the weaker State systems in case of need. Like the expansion of OASI, these measures should improve the psychology, stabilize the consumption behavior, and raise the productivity of our working people.

9. An expansive monetary policy.

The policy of the Administration is to provide a growing money supply to match the expanding productive capacity of the economy, and yet avoid price inflation. Long-term adequacy is a primary guide to this Administration's monetary policy. Similarly, the public debt is being managed flexibly so as not to interfere with the requirements of a growing economy.

10. Taxation.

a. The policy of the Administration is to reduce taxes concomitantly with the reduction of Federal expenditures, thus transferring to private hands resources formerly appropriated by the government. So far, the Administration has reduced taxes by an annual rate of $6 billions through repeal of the excess profits tax and reductions in individual income and excise taxes.

b. The Administration is sponsoring structural changes in our tax system which will encourage economic growth, the principal of which are:

(1) The dividend credit to reduce the double taxation of dividends and to improve the incentives to supply equity capital to medium and small businesses.

(2) The liberalization of depreciation allowances that may be made by investors, to encourage plant and equipment outlays.

(3) Lengthening the period over which net business losses may be carried back from one to two years, thus reducing the risk of business failure during a period of adversity.

(4) Liberalizing the tax treatment of research and development expenditures by businesses, to encourage a larger volume of these outlays.

(5) Various measures to reduce taxes on income from investments abroad, thus promoting the flow of American capital to other areas of the world where it may improve living standards.

11. Housing and community development.

The Administration sponsors a comprehensive program designed to maintain a high volume of home construction, to stimulate the enlargement, repair, and modernization of existing homes, and to foster the renewal and redevelopment of neighborhoods in our cities. These aims are to be achieved through liberalization of the terms on which mortgage loans may be insured by FHA and by the establishment of a secondary mortgage market facility which eventually will be privately financed.

12. International economic policy.

The President has submitted to Congress a foreign economic program intended to curtail aid, to encourage investment, to facilitate convertibility of currencies, and to expand trade. To implement this program, the Administration has sponsored legislation: to extend and amend the Trade Agreements Act; to simplify and improve commodity definitions, methods of evaluation, and procedures for our tariff and customs administration; to exempt from the Buy American legislation bidders from nations that treat our bidders on an equal basis with their own nationals; and to increase the duty-free allowance for tourists from $500 to $1000, exercisable every six months. The Administration has announced its intention to support the use of the resources of the International Monetary Fund to strengthen the currencies of countries which undertake convertibility. All of these measures are intended to make the United States participate in, and benefit from, an expanding world economy.

THE WHITE HOUSE
WASHINGTON

June 11, 1954

Max Rabb

GOVERNOR ADAMS:

RE: Economic Action Program

Following are the items recommended by Dr. Burns at this morning's Cabinet meeting concerning agencies not present or covered by one of the departments:

Called Higley

VETERANS - (a) Speedier processing of loan guarantees.

(b) Issuance of new regulations for home modernization and repair loans.

Called Cole ✓

H&HFA - Speedier processing of loan guarantees.

✓

Called K

FEDERAL POWER COMMISSION - Early action on applications for natural gas lines to the Pacific Northwest.

Maxwell M. Rabb

These reports are on the way
SA

Return to Mr. Rabb

JUN 17 1954

THE WHITE HOUSE
WASHINGTON

June 17, 1954

MEMORANDUM FOR GENERAL PERSONS

FROM: Maxwell M. Rabb M. M. R.
Secretary to the Cabinet

RE: Reports on Economic Action Program

At the last Cabinet meeting, Dr. Burns listed suggested areas of action by Administration officials and it was agreed that you would report as to progress on the matter listed below.

Legislative Actions

CONGRESS: To report on consultations with Senator Capehart and others about the housing bill, which probably has the largest potential for expansion.

Inasmuch as there will be no Cabinet meeting this week, it will be appreciated if you will give a written report on the status of this item just as soon as possible so that it can be submitted to the President.

I will handle this verbally with the President —

Done
WBP

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By JHC NLE, Date 8-12-76

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

June 24, 1954

11:30 A. M. to 12:50 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. W. B. Smith
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Asst. Sec. Russell Larmon
(for Sec. Hobby)

Director Hughes
Dr. Flemming
Gov. Stassen
Dr. Arthur Burns

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Harlow
Mr. Morgan (in part)
Dr. Hauge
Mr. Rabb

Industrial Plant Visits - The President called attention to a letter he had had from Sec. Mitchell recommending that Cabinet members make "all day tours" of large industrial plants as a means of displaying the Administration interest in workers' activities and problems, thereby dissipating propaganda to the contrary. Sec. Mitchell offered to assist in making arrangements if the idea were well received. The President recalled his own fascination with such tours and urged the Cabinet to get in touch with the Secretary of Labor. Secretaries Wilson, Weeks and Benson voiced their approval.

Economic Situation - Dr. Burns called attention to the serious possibility of a steel strike occurring at the expiration of contract on June 30th. He noted economic factors working for and against a strike, and he stressed the depressing effects of a long strike and the possibility that it would usher in an era of industrial strife. After stating that there was very little remaining difference between management and labor in this instance, he suggested that the White House might have to intervene sooner or later in any major strike despite its desire to stand aside.

Sec. Humphrey agreed in the seriousness of the situation but he felt that there should not be and would not be a strike. He noted David McDonald's very difficult position as a conservative union leader whose job was the subject of competition within his union and in relation with other unions such as the Automobile Workers, all of which tended to impel him toward drastic action. Sec. Humphrey believed, however, that the Administration ought take the position that this is not a Government problem, as he had already told the industrial

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

leaders along with his advice that for the best interests of the country a strike should be avoided.

Gen. Smith commented on the adverse effect on the international situation of a steel strike at this time. Sec. Mitchell agreed in the difficulty of Mr. McDonald's position but cautioned against any expression of interest which would be used by McDonald as leverage. Dr. Burns believed failure to agree on a contract by June 30th would result in a strike call and bitter denunciation by Mr. McDonald of any possibility of success for an effort such as he made to cooperate with the Administration and steel industry leaders. Sec. Wilson commented on his not too successful efforts to convince his friends in the steel industry to work harder for industrial peace. Gov. Stassen and Sec. Mitchell noted that the industrial leaders were relatively well off by virtue of McDonald's leadership and that it would be a loss for them if McDonald were forced out by failure to obtain a satisfactory contract. Secs. Humphrey and Wilson discussed the cycle of rivalry between steel and auto workers to keep pace with each other in regard to pay and pensions. The President commented on the need for labor leaders to keep the national interest above their own rivalries.

Dr. Burns stated positively, on the basis of his talk with McDonald, that there would be no strike if the President publicly expressed his wish that a strike be avoided. Secs. Humphrey and Mitchell advised against any public statement and the President expressed his desire to continue present policy while thinking over Dr. Burns' proposal.

Sec. Wilson raised the problem of what constituted "a fair wage", the President jokingly referred to Arthur Burns' lengthy historical lectures on fair return for capital, and Sec. Humphrey emphasized that labor must be competitive in the face of the fact that for the first time in twenty years Europe could now compete with the US particularly by virtue of cheap labor.

Mexican Migrant Labor - The Attorney General recalled the new treaty of 1953, the plan for permitting legal entry of certain Mexican laborers, the continuing work of the new Commission, and the unhappiness of labor unions which were deliberately not given representation on the Commission -- a policy of which he fully approved.

Mr. Brownell cited the continuing problem of illegal entries, the supplemental appropriation for Gen. Swing's program to halt them, and the further need for legislation to penalize in some way participants in this illegal practice. He stated that the most controversial item regards penalizing US employers of wetbacks and he suggested that the Treasury might disallow the tax deduction claims for wages paid to wetbacks. To this Sec. Humphrey took strong exception since it would violate the Treasury objectives of eliminating many discretionary aspects of exemptions in favor of sharper definition by law and of using the taxing power solely for purposes of revenue rather than remodeling society. When pressed by the President as to Treasury's position on allowing exemptions on illegal acts, Sec. Humphrey made clear that Treasury would not so allow provided that a finding of illegality were properly made by appropriate bodies, of which Treasury was not one. He insisted that Treasury is not in business of enforcing the law in general.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

The President, Mr. Brownell, Gov. Stassen and Mr. Hughes all spoke of the need for determining on some penalty.

Sec. Mitchell noted that the cost of operation of the program for legal entry would increase as the illegal entries were eliminated.

The Vice President hoped that enforcement programs, though necessarily limited at first, would nevertheless be applied equally to all States and thus avoid favoring any particular one such as Texas, which might continue for some time to obtain illegal labor.

Sec. Benson noted a request to him to speak on this problem at an appearance in the near future, but the President advised that he would be thoroughly justified in avoiding it as a matter to be negotiated between governments.

Inspection Services - Director Hughes presented the memorandum concerning Agency Inspection Programs which will be discussed with representatives of the various departments and agencies in the series of conferences previously agreed upon. He emphasized again that the central group of advisers, including Justice, Civil Service, and Budget, were setting guide lines rather than formulating fixed rules.

Director Hughes raised the problem of publicity which might be given this program and expressed Budget's disfavor for publicizing it. The President agreed that publicity should be foregone in favor of getting the system into operation.

Sec. Wilson indicated that he was not clear as to the purpose of this program and the President, making a comparison with the Army Inspector General, briefed him on previous discussions from which Mr. Wilson had been absent. The President stressed an old saying that "that which is not inspected deteriorates". He recounted how the FHA affair might have been prevented had there been such a system in being, and that it was the FHA trouble which inspired him to urge this program. He asserted that he himself could not escape responsibility for what happens in the departments and consequently was extremely interested in helping department heads to fulfill their responsibility.

Sec. Weeks believed that requirements for travel in this program would necessitate an increase of per diem allowances if the program were to function effectively. The President advised that much of the activity could be permanently located in the field, and Mr. Hughes noted that the per diem matter was now before Congress.

Economic Controls - Dr. Flemming presented a memorandum reviewing the 1953 decision to prepare for future submission to Congress recommendations for a 90-day freeze of prices, wages, etc., in an emergency. He made clear that there was no intention of raising the question in Congress at this point but that work has been continuing in preparing such recommendations.

Sec. Humphrey recalled the agitation several weeks ago resulting from the mistaken belief that the Administration would soon recommend such

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BHC NLE, Date 8-4-76

controls. The President commented that many people regarded mobilization controls as an attempt to grab power rather than recognizing their honest purpose of preventing run-away inflation in an emergency.

At Sec. Weeks' suggestion it was agreed that the general content of this memorandum should be made public and that Mr. Flemming would seek an appropriate occasion for doing so.

Administration Speeches - Mr. Flemming noted the previous Cabinet discussion concerning speeches touching on foreign policy and he requested that guidance be given in a positive way as to what might be said. The President believed it desirable that every speech contain some reference which would show that policy statements therein were in agreement with Administration positions, and he recalled his own close coordination with the Secretary of State on any speeches made by either of them. He believed that people doing liaison work with Congress might be able to contribute to this purpose.

The Vice President seconded the desirability of positive suggestions since the impression should not be given that the whole field of foreign policy is taboo to all except a few experts. The President added that officials giving clearance to speeches ought give constructive suggestions as well as scratching out items. Sec. Dulles suggested that for the time being the best approach was to quote or paraphrase statements previously made by the President or himself.

Sec. Weeks suggested that greater effort be made to pick up and circulate effective brief statements for speech-making purposes, and he cited such things as the Postmaster General's remark that prior to this Administration there had been not a single Certified Public Accountant in the biggest business in Government -- and another by Sec. Talbott to the effect that the number of Air Force bands had been cut from 107 to 70 and thus provided sufficient money for a wing.

L. A. M.

L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Thursday, June 24, 1954

1. Industrial Plant Visits. (The President)

2. Remarks on the Economic Situation.
(Dr. Arthur Burns)

3. Wetbacks. (The Attorney General)

4. Status of Inspection Services. (Director, Bureau of the Budget)

5. Statement on Admininistration Policy Relative to Economic Controls.
(Director, Office of Defense Mobilization)

6. Development of Over-all Strategy for Talks Made by Top Officials in the Field of Foreign Affairs.
(Director, Office of Defense Mobilization)

THE WHITE HOUSE
WASHINGTON

June 24, 1954

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Industrial Plant Visits - The President requested members of the Cabinet to get in touch with Secretary Mitchell concerning their travel schedules and stressed the desirability of arranging visits to industrial plants.

Mexican Migrant Labor - It was agreed that the Department of Justice should endeavor to secure legislative provision for penalizing employers of workers who have illegally entered the United States.

Departmental Inspection Services - It was agreed that the program for establishing effective inspection systems in the departments and agencies would be pushed ahead without publicity.

The memorandum presented at this meeting by the Director of the Budget will be discussed individually with department and agency representatives at the forthcoming series of meetings being arranged by the Bureau of the Budget. The need for active support of this program by department heads was again emphasized.

Economic Controls - Mr. Flemming will determine an appropriate occasion for making clear to the public the purpose of current Administration planning with respect to emergency economic controls as outlined in the memorandum he presented.

Speeches by Administration Officials - As a means of preventing erroneous inferences of conflict in policy statements, the President urged that appropriate references be made in all public addresses to show clearly the existence of Administration agreement on policy.

It was suggested that Administration officials use quotations or paraphrases of foreign policy statements by the President and Secretary of State as the most suitable and effective means of making public reference to such matters particularly during critical periods.

In connection with "critiques" of proposed public addresses, emphasis was placed on the desirability of having those responsible for making the critique offer constructive suggestions as to what might be said as well as concurring in or advising against use of certain statements.

Cabinet Schedule - The next Cabinet meeting will be held on Friday, July 2nd, at 9:00 A. M.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Honorable Harold E. Stassen
The Director
Foreign Operations Administration

THE WHITE HOUSE
WASHINGTON

June 23, 1954

MEMORANDUM FOR THE PRESIDENT

FROM: Maxwell M. Rabb

SUBJECT: Reports on Economic Action Program

At the last Cabinet meeting, Dr. Burns indicated suggested areas of economic action by Administration officials. Governor Adams has given you the reports on the Federal Power Commission and the Veterans Administration. Members of the Cabinet have submitted progress reports, which I have summarized for your information below:

Monetary Actions

Suggestion: FEDERAL RESERVE BOARD to reduce reserve requirements or increase holdings of government securities, or do both.

Action: The Federal Reserve Board on Monday, June 21, 1954, announced a reduction of $1 1/2 billion in amount of reserve which member banks are required to keep on deposit -- the reduction to be made gradual over the next six months.

—

Suggestion: TREASURY DEPARTMENT to hold informal conferences with leading commercial bankers with a view to bringing down the prime rate.

Action: Mr. Burgess has already had conversations with a few bankers and will continue his talks with others.

Housekeeping Actions

Suggestion: TREASURY DEPARTMENT to make prompt advance payments to taxpayers who have been over-assessed, prior to final determination of the amount of over-assessment.

Action: The Internal Revenue Service will issue a release this week authorizing advance payments on over-assessments.

Suggestion: TREASURY DEPARTMENT to revise its depreciation life tables so as to treat more realistically the factor of obsolescence.

Action: The Senate tax bill contains recommendations the Treasury Department submitted for further liberalization of depreciation beyond those in the House bill. Secretary Humphrey feels confident that these will be accepted by the conference committee.

For many months the Treasury Department has been studying the schedule of the depreciation life tables with a view to giving greater allowance for the obsolescence factor, but are waiting until the new bill is passed before making any changes in the regulations. They plan to take action on the tables soon after the enactment of the tax bill.

Suggestion: FOREST SERVICE to expedite the letting of contracts so as to increase employment by timber contractors.

Action: At the time the Budget was prepared, it was expected that 5.2 billion board feet of timber would be sold from the national forests in the fiscal year 1955. The appropriation bill as passed by both the House and Senate includes a small increase for timber sale work, and it is expected that the cut will be increased by 200 million board feet.

Suggestion: The DEPARTMENT OF AGRICULTURE to enter into guaranty occupancy agreements so as to stimulate private construction of grain elevators.

Action: The occupancy contract program, which is designed to encourage the building of additional commercial storage facilities, it is estimated, will cause to be erected about 200 million bushels of capacity, at a construction and equipment cost to the warehouseman of about $200 million. It is expected that about one-half of this capacity, or $100 million, will be erected during 1954, and will be begun immediately.

Suggestion: The COMMERCE DEPARTMENT to make commitments this July 1st or very shortly thereafter under the Federal-Aid Highway Act of 1954.

Action: In order to expedite the highway program, the authorization for the fiscal year 1956 effective July 1, 1954, will be apportioned to the States several months earlier than apportionments for recent years.

Assuming full cooperation of State officials, which Secretary Weeks is sure will be forthcoming, the early apportionment of the 1956 authorization will result in the letting by the States of approximately an additional $100 million worth of contracts during the first quarter of the 1955 fiscal year over and above the amount of contracts which would otherwise be let. Of this additional $100 million worth of contracts, $50 million would represent Federal aid.

It is expected that there will be a considerable impact on the economy arising from the fact that additional contracts will be let and additional work actually performed with resulting increases in employment, procurement, etc.

In addition, the Secretary of Commerce will apportion $22,500,000 for forest highways for the fiscal year 1956, which will make about $100 million available around July 1st for eleven western States.

Legislative Actions

Suggestion: Consultations to be held with Senator Capehart and others in CONGRESS about the housing bill, which probably has the largest potential for expansion.

Action: Governor Adams is presently discussing this whole subject with Senator Capehart and will have a report very shortly.

Rescheduling of Expenditures

Suggestion: The BUREAU OF THE BUDGET to temporarily step up spending.

Action: It is estimated that about $2 1/4 billion of obligations, and about $500 million of expenditures can be handled in the program of accelerating certain expenditures in the months of June to October within the over-all limits of planned expenditure totals in fiscal years 1954 and 1955.

Because of the importance of this item, Director Hughes' brief memorandum is attached hereto. It seems advisable to have from him a statement indicating precisely when he can estimate these expenditures and how much they are, listed month by month.

COPY

June 16, 1954

The President
The White House

My dear Mr. President:

I think it important that it be clearly demonstrated in advance of the coming elections that your Administration is sympathetic to the working people of America. While this attitude is certainly evident from the program that you have recommended to the Congress, overt acts evidencing a continuing interest in the daily, on the job, problems of workers would be clear and unequivocal evidence of our concern for them.

As we discussed yesterday, I recommend that individual members of the Cabinet consider making at least one all-day tour of a large plant in a heavy industrialized city during which the problems of the workers could be discussed with them at their benches and at lunch in one of their cafeterias. Such visits would do much to dissipate the widespread propaganda that this Administration has little concern with, or interest in, the worries and aspirations of the average American.

If you find this suggestion acceptable, I shall be happy to do everything I can to help get a program underway.

Respectfully yours,

/s/ James P. Mitchell

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

June 16, 1954

The President
The White House

My dear Mr. President:

I think it important that it be clearly demonstrated in advance of the coming elections that your Administration is sympathetic to the working people of America. While this attitude is certainly evident from the program that you have recommended to the Congress, overt acts evidencing a continuing interest in the daily, on the job, problems of workers would be clear and unequivocal evidence of our concern for them.

As we discussed yesterday, I recommend that individual members of the Cabinet consider making at least one all-day tour of a large plant in a heavy industrialized city during which the problems of the workers could be discussed with them at their benches and at lunch in one of their cafeterias. Such visits would do much to dissipate the widespread propaganda that this Administration has little concern with, or interest in, the worries and aspirations of the average American.

If you find this suggestion acceptable, I shall be happy to do everything I can to help get a program underway.

Respectfully yours,

James P. Mitchell

For next Cabinet.
DE

cc: Max Rabb, 6/18

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

June 14, 1954

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Review of Agency Inspection Programs

Each department and agency will undertake a review of its inspection program, rules of conduct, procedures and organization along the lines indicated hereafter. This review has the objective of assuring that heads of all executive agencies possess adequate inspection facilities to discharge their continuing administrative responsibilities with respect to the conduct of personnel under their jurisdiction. It has the further purpose of supplementing the inspection and investigatory programs presently carried out by the Civil Service Commission, the Department of Justice, and the General Services Administration, and of providing more effective coordination for these activities throughout the executive branch. It is also supplementary to the inspection and audit programs of the General Accounting Office.

Each department and agency will designate an official who shall be responsible for the review. It is highly desirable that the official designated be of Under Secretary or Assistant Secretary level, and he should be prepared to meet with the Bureau of the Budget to discuss plans for the review. After this discussion, each agency shall submit a report of the review and evaluation of its inspection program and any action taken thereto to the Director of the Bureau of the Budget not later than September 1, 1954.

The terms "inspection" and "inspection facilities" refer to those organizational arrangements and procedures concerned primarily with the detection and prevention of acts of impropriety, unethical conduct, and other activities short of criminal violations. Matters related to employee security under Executive Order 10450 are specifically excluded from the scope of the examination.

In reviewing their inspection programs, departments and agencies should consider the following:

1. Agency responsibility. The head of each department and agency of the Government is responsible for taking such action as may be necessary to establish and maintain within his department or agency an effective program to insure proper conduct by agency employees.

2. Procedures for dealing with information and complaints. Each department and agency has the responsibility to establish systematic procedures for dealing with information or complaints concerning employee misconduct and for the prompt referral of any evidence of criminal violations to the Department of Justice.

These procedures should provide for (a) centralization of responsibility in a single official for receiving and following up on complaints and information from all sources, including other Federal agencies; (b) independent investigation by someone outside the organization unit involved; (c) immediate referral to the Department of Justice of evidence indicating criminal violations; (d) a written report to the agency head setting forth the method of investigation and the facts ascertained; (e) independent review of the investigation report by an official or officials designated by the agency heads; and (f) final approval of the action recommended either by the agency head or an appropriate official designated by him.

3. Organizational arrangements. Organizational arrangements for the detection and prevention of employee misconduct must necessarily take into consideration such factors as the size of the agency, its internal organization, and the nature of its program. An agency is most exposed to possibilities of personnel misconduct when it is engaged in large-scale contracting and procurement operations, handles large amounts of cash or its equivalent, or is engaged in activities such as the making of loans or the insuring or guaranteeing of loans, the granting of licenses or certificates, economic regulation or law enforcement, which may substantially affect the material fortunes of private interests. Each department and agency is responsible for determining what organizational arrangements are necessary and appropriate in the light of the factors discussed above. The following would appear to be minimum requirements:

(a) Small agencies, or agencies engaged in programs with little susceptibility to employee misconduct. Responsibility for the detection and prevention of employee misconduct should be vested specifically in an official with direct access to the agency head, even though there is no necessity for establishing a full-time inspection staff.

(b) Medium-size or unifunctional agencies with a high degree of vulnerability. At a minimum, an independent inspection staff should be established in the office of the agency head and given responsibility for the prevention and detection of employee misconduct on an agency-wide basis. The head of the inspection staff should have direct access to the agency head and should not report to the Personnel Officer, Finance Director, or other subordinate official. The inspection staff should conduct such investigations as the agency head may direct, but it should not be given authority to determine what action should be taken as a result of its reports. The inspection staff should work closely with other units of the agency, such as the personnel and fiscal staffs, in developing necessary preventive measures.

(c) Department and agencies with large and relatively self-contained subordinate organizational units. In the large departments and agencies, it is generally desirable to decentralize inspection facilities. The director of each major subordinate service, administration, bureau, etc., administering a highly vulnerable program should have an inspection staff reporting directly to him. Where adequate inspection facilities have been established at subordinate echelons, the agency head should have directly under him an inspection staff which will (1) assure that adequate inspection facilities have been established; (2) review and audit the work of such facilities; (3) follow up on information or complaints referred by the agency head to subordinate echelons for investigation and appraise the adequacy of the findings; and (4) conduct such investigations itself as the agency head may deem necessary and appropriate.

In connection with the foregoing review, agencies may also wish to consider the adequacy of their existing rules of conduct and the extent to which employees are informed in an intelligible and comprehensive manner of the conduct expected of them.

ROWLAND R. HUGHES
Director

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

June 22, 1954

MEMORANDUM FOR THE HONORABLE MAXWELL M. RABB
The White House

Subject: Summary of progress on special step-up

I have already reported informally to Governor Adams on the present status of the program of accelerating certain expenditures in the months of June to October within the overall limits of planned expenditure totals in fiscal years 1954 and 1955.

The original estimate was that about $2¼ billion of obligations and about $600 million of expenditures could be so handled. So far we have reports and arrangements have been made or are in prospect for approximately the $2¼ billion of obligations and about $500 million of expenditures. There are still some bits and pieces to follow which will probably bring the total under this special operation to $600 million or slightly more. In most cases the actual expenditures will have to be after July 1 because they relate in whole or in part to 1955 fiscal year appropriation bills.

Action is being taken in all cases under the direction of the head of the agency to avoid the spreading of any mistaken ideas or a change in direction of general spending policies through this selected basis of acceleration.

Does this give you the information that you need? A table showing the departmental breakdown is attached.

Rowland Hughes
Director

Attachment

COPY

TEMPORARY STEP-UP PROGRAM--INCREASES THROUGH FIRST QUARTER F.Y. 1955

(In millions)

Agency	Budget Bureau Suggestion (5/24/54)		Agency plans and actions 6/15/54	
	Obligations	Expenditures	Obligations	Expenditures
Department of Defense (military)	$2,000	$400	$2,000	$400
Commerce	26	8	65	a/ 1
Health, Education and Welfare	23	23	b/ -	b/ -
Interior	44	20	45	16
Department of the Army (civil)	30	15	30	15
Veterans Administration c/	5	1	5	1
Federal Civil Defense Administration	30	5	-	-
General Services Administration	4	2	-	-
Agriculture	68	28	67	d/36
Housing and Home Finance	75	15	-	-
GSA - ODM, stockpiling	75	75	25	25
Total	2,380	592	2,237	494

a/ Excludes State expenditures for which reimbursement by Federal grant-in-aid will be made later.
b/ Amounts are programmed for October and November.
c/ Excludes guaranty operations and their effect on private lending and spending.
d/ Estimated additional expenditures through December 31, 1954, as reported by the Department.

June 21, 1954

PERSONAL AND CONFIDENTIAL

Mrs. Whitman

Please destroy when no longer used.

NOTES ON CABINET MEETING
June 24, 1954

Industrial Plant Visits - The President requested members of the Cabinet to get in touch with Secretary Mitchell concerning their travel schedules and stressed the desirability of arranging visits to industrial plants.

Mexican Migrant Labor - It was agreed that the Department of Justice should endeavor to secure legislative provision for penalizing employers of workers who have illegally entered the United States.

Departmental Inspection Services - It was agreed that the program for establishing effective inspection systems in the departments and agencies would be pushed ahead without publicity.

The memorandum presented at this meeting by the Director of the Budget will be discussed individually with department and agency representatives at the forthcoming series of meetings being arranged by the Bureau of the Budget. The need for active support of this program by department heads was again emphasized.

Economic Controls - Mr. Flemming will determine an appropriate occasion for making clear to the public the purpose of current Administration planning with respect to emergency economic controls as outlined in the memorandum he presented.

Speeches by Administration Officials - As a means of preventing erroneous inferences of conflict in policy statements, the President urged that appropriate references be made in all public addresses to show clearly the existence of Administration agreement on policy.

It was suggested that Administration officials use quotations or paraphrases of foreign policy statements by the President and Secretary of State as the most suitable and effective means of making public reference to such matters particularly during critical periods.

In connection with "critiques" of proposed public addresses, emphasis was placed on the desirability of having those responsible for making the critique offer constructive suggestions as to what might be said as well as concurring in or advising against use of certain statements.

Cabinet Schedule - The next Cabinet meeting will be held on Friday, July 2nd, at 9:00 A. M.

- - - -

PERSONAL AND CONFIDENTIAL

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

June 21, 1954

MEMORANDUM

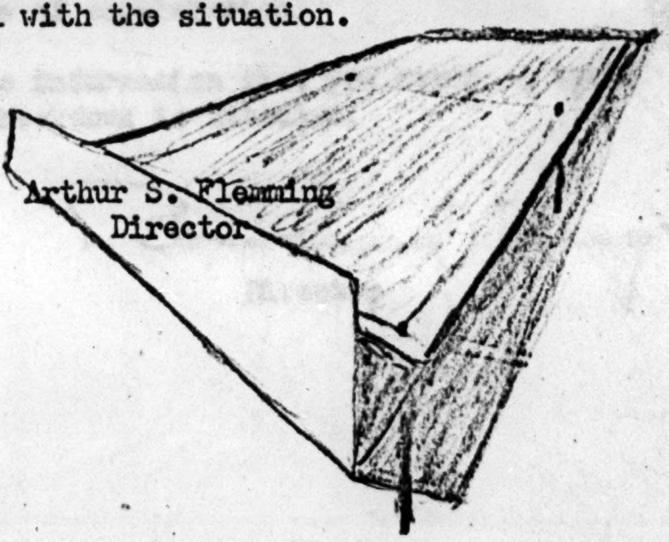
1. During the last session of Congress, this Administration opposed the enactment of legislation that would provide us with "stand-by" controls in the price, wage, rent and credit areas.

2. At the same time, however, we stated that we would go to work on the problem and would be in a position to present specific recommendations to the Congress in the event an emergency should develop.

In this connection we indicated that in all probability we would request immediate authority to impose a 90-day freeze, and that we would then be ready to work with the Congress on proposed legislation that would provide the statutory basis for our operation after the 90-day freeze.

3. This Administration has done what we said we would do, namely, we have been working on the recommendations that we would make for controls if an emergency situation should develop.

4. We will not raise with the Congress the issue of economic controls unless the President decides that the international situation makes it necessary for him to ask the Congress for additional authority to deal with the situation.



Arthur S. Flemming
Director

The President

THE WHITE HOUSE
WASHINGTON.

AGENDA FOR THE CABINET MEETING

Friday, July 2, 1954

1. Report on Test of Plans for Emergency Relocation. (Director, Office of Defense Mobilization)

2. Preliminary Report on Status of Security Investigations. (Chairman, Civil Service Commission)

3. Report on the Economic Situation. (Dr. Arthur Burns)

4. Preliminary Report on Special Economic Operations. (Director, Foreign Operations Administration)

5. Run-down on Legislative Program. (General Persons)

6. Department and Agency Reporting to the Bureau of the Budget on Bills. (General Persons)

July

July

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/20/78

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

#5

MINUTES OF CABINET MEETING

July 2, 1954

9:00 A. M. - 11:08 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Charles E. Saltzman
(for Sec. Dulles)
Sec. of the Navy Charles S. Thomas
(for Sec. Wilson)
Sec. Humphrey
Mr. Brownell
Mr. Summerfield
Sec. McKay
Asst. Sec. J. Earl Coke
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Dr. Arthur Burns

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Rabb
Dr. Hauge
Mr. Harlow
Mr. Morgan
Mr. Gruenther

The President opened the meeting with an expression of his satisfaction over the newspaper treatment which showed the House vote on the Agriculture bill as an Administration victory.

- - -

~~CONFIDENTIAL~~

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/20/78

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1.
By DC NLE, Date 11/20/78

Employee Security Program - Chairman Young reported on the progress of this program, indicating that 3503 employees had been separated as of December 31, 1953, and that on the basis of incomplete reports 4791 had been separated to date.

Mr. Young recalled the target of June 30th for completing investigations and indicated that the Army, Navy, State Department and USIA lagged behind. All except USIA will require until December 31st to clear out the backlog of investigations, primarily because of the great numbers of civilian personnel.

The President stressed the importance of getting current on this program so that the emphasis could thereafter be placed on care in hiring.

Mr. Young indicated a need for guidance on publication of progress reports. Gov. Adams believed no announcement would be in order, at least until the four-way breakdown devised last January could be brought up to date. The President expressed his strong belief that compilation of statistics on this program would inevitably lead to recriminations and that it would seem most desirable to avoid public reports unless an exceptional need arose.

Economic Situation - Dr. Burns described the economic situation as still improving even though industrial production continued to be held down by inventory reductions. He cited favorable statistics for retail trade, exports, new orders, and construction contracts. He forecast that the forthcoming employment and unemployment statistics for the month of June would in the face of normal seasonal changes be extremely reassuring. After stating that recovery continued to be uneven, he pointed to the one unfavorable factor of a new decline in agricultural prices, with parity reaching its lowest point -- 88.

Dr. Burns indicated that he would soon be called upon to testify regarding compilation of economic statistics and he sought guidance on the feasibility of recommending increased funds. The President had no objection, provided that the objective included greater centralization of reports and elimination of duplication.

Sec. Humphrey called attention to a letter from Dave Beck, John L. Lewis, and David McDonald recommending numerous governmental actions to bolster the economy. He believed many Cabinet members would receive a similar letter and he urged close coordination of replies.

The President repeated reports he had received on the desirability of early action by the Federal Power Commission on 5 gas line applications and by ODM on 2 oil line applications, all of which would, if granted, stimulate steel production. Dr. Flemming indicated that ODM had approved one but delayed the other because extensive amortization and loan

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

guarantee provisions were sought. Gov. Adams reported on recent actions by the Federal Power Commission and called attention to the statutory provisions which require a suitable lapse of time prior to final action.

Special Economic Operations - Gov. Stassen presented a series of charts pin-pointing geographical areas of industrial decline, types of industries affected, etc., and he noted the geographical coincidence of hotly contested Congressional districts. He described these charts as providing the means for focusing attention on weak spots at the same time giving an extra boost to strong parts of the economy which can take up slack in others.

Sec. Humphrey called attention to the efforts being made by Sec. Anderson of Defense to quicken military and naval construction. Gov. Stassen indicated the possibility of increasing non-agricultural exports, already strong, as the dollar situation is eased.

The President commented that it was this type of presentation which he had had in mind on assigning this special project to Gov. Stassen and that they were not designed to create policy, which would of course continue to stem from Dr. Burns.

At the request of Sec. Thomas, Gov. Stassen indicated that reproductions of the charts would be circulated to Cabinet members.

Legislative Program - Gen. Persons introduced a review of the legislative program by calling attention to the manner in which Cabinet members can help each other by using their influence with appropriate Members of Congress, particularly on some of the smaller but important bills.

In discussing the status of each item in the program, particular emphasis was placed by Sec. Thomas on dependent medical care, by the Postmaster General on postal rates, salaries and fringe benefits, by the President on customs simplification, by Sec. Mitchell on undesirable administrative amendments to the State Unemployment Funds legislation, by the Vice President on Hawaiian statehood, and by Sec. Weeks on the desirability of private financing for the tanker program.

During the discussion the President raised the question of Sen. Knowland's speech about not admitting China to the UN and expressed concern lest the speech be interpreted to mean that the Administration was putting pressure on the Senator to change his position. Gen. Persons and Sec. Humphrey noted that the Senator had made no prior mention of his intent to speak out, and the Attorney General explained his purpose as stemming from fear that the Department of State would not recommend use of the veto should the UN vote to admit China.

In regard to the Navy tanker bill, it was agreed that the method of financing was secondary to the need for approval of construction of the tankers.

Gov. Stassen suggested that the steel wage increase might justify introduction of a measure for increasing the minimum wage from 75¢ to 85¢ if that could be accomplished without controversy. Sec. Mitchell agreed on the basis that increased cost of living justified the change, but he also believed Legislative agreement should be secured in advance. The President requested Dr. Burns to look into the situation and report at the next Cabinet meeting.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

The Postmaster General indicated that his department would pull postal material together in speech form to be used by Members of Congress in the campaign period ahead. The President added that he wished to make available a chart showing the record of achievement on the legislative program. He believed any candidate's record on the legislative program would be the decisive issue at election time.

Subsequently, the President indicated the desirability of utilizing the many bright young Republican Representatives as much as possible for public appearances. Sec. Humphrey noted the program for having Cabinet members participate in question and answer television films with Members of Congress, concerning which information is in the hands of departmental legislative liaison representatives.

Secretary Mitchell referred back to Gov. Stassen's presentation and raised the question as to what might be accomplished through private industry. Sec. Humphrey indicated that something along this line was being done on a very informal basis.

The President referred to a movement by Sen. Bricker to accomplish a return to the gold standard, and he commented on the impossibility of accomplishing this by law or fiat until such time as conditions become appropriate for so doing. Sec. Humphrey agreed that the change could not now be accomplished and Gov. Stassen suggested that such a change would be of great benefit to Russia.

Enrolled Bills - Mr. Shanley called attention to the Budget Bureau Circular of June 16, 1954, urging expeditious handling of reports on enrolled bills and establishing a 48-hour deadline. Mr. Shanley emphasized that many departmental bill reports were prepared in routine fashion at lower levels without reflecting the philosophy of this Administration.

The President underscored the need for timely reports by recalling a bill presented to him with a recommendation for veto just 10 minutes before the deadline for action.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

PERSONAL AND CONFIDENTIAL

TO: Mrs Whitman Please destroy when no longer used

NOTES ON CABINET MEETING
July 2, 1954

Emergency Relocation Planning - Dr. Flemming will consult with the departments and agencies concerned in regard to the date and nature of the next relocation test.

Employee Security Program - The President stressed the importance of clearing up the backlog of these cases as rapidly as possible.

The President and Cabinet determined that no special announcement concerning the program will be made at this time nor until the matter should be thoroughly reviewed in the future.

Economic Situation - Secretary Humphrey called attention to a letter concerning the economic situation and signed by three prominent labor leaders which may be sent to a number of Cabinet members. He urged careful coordination of the replies to them.

Special Economic Operations - Governor Stassen will circulate to Cabinet members reproductions of the charts he presented at this meeting.

Legislative Program - The President emphasized the need for an exceptional liaison effort by all Cabinet members during the remainder of this session in order to secure maximum approval of the legislative program. General Persons will keep in touch with Cabinet members concerning particularly critical items.

Enrolled Bills - Cabinet members were urged to insure that reports on enrolled bills be submitted by their departments and agencies within 48 hours in keeping with the Budget Bureau's revised Circular No. A-9 of June 16, 1954. Emphasis was placed on the need for having such reports reflect clearly the viewpoints of this Administration.

Television Films - Cabinet members were encouraged to cooperate in the program for making question and answer films with Members of Congress. Congressional liaison officers of the Departments are informed as to making arrangements.

- - - - -

PERSONAL AND CONFIDENTIAL

Return w/ charts

Bob M/ Please complete.

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL

July 2, 1954

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Emergency Relocation Planning - Dr. Flemming will consult with the departments and agencies concerned in regard to the date and nature of the next relocation test.

Employee Security Program - The President stressed the importance of clearing up the backlog of these cases as rapidly as possible.

The President and Cabinet determined that no special announcement concerning the program will be made at this time nor until the matter should be thoroughly reviewed in the future.

Economic Situation - Secretary Humphrey called attention to a letter concerning the economic situation and signed by three prominent labor leaders which may be sent to a number of Cabinet members. He urged careful coordination of the replies to them.

Special Economic Operations - Governor Stassen will circulate to Cabinet members reproductions of the charts he presented at this meeting.

Legislative Program - The President emphasized the need for an exceptional liaison effort by all Cabinet members during the remainder of this session in order to secure maximum approval of the legislative program. General Persons will keep in touch with Cabinet members concerning particularly critical items.

Enrolled Bills - Cabinet members were urged to insure that reports on enrolled bills be submitted by their departments and agencies within 48 hours in keeping with the Budget Bureau's revised Circular No. A-9 of June 16, 1954. Emphasis was placed on the need for having such reports reflect clearly the viewpoints of this Administration.

Television Films - Cabinet members were encouraged to cooperate in the program for making question and answer films with Members of Congress. Congressional liaison officers of the departments are informed as to making arrangements.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

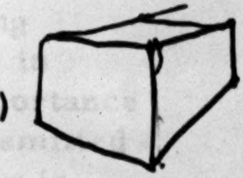
Honorable Harold E. Stassen
The Director
Foreign Operations Administration

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, July 2, 1954

1. Report on Test of Plans for Emergency Relocation. (Director, Office of Defense Mobilization)

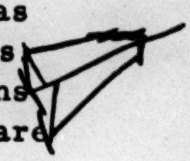
   Estimated time: 10 minutes.

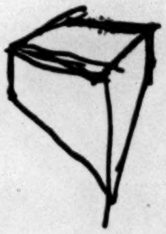


2. Preliminary Report on Status of Security Investigations. (Chairman, Civil Service Commission)

   Earlier in the year, at Cabinet meeting, June 30, 1954, was set as the target date to clear up all security investigations. It now appears that the completion of security investigations cannot be realized by the end of this month because there are a few Departments considerably behind schedule.

   Estimated time: 10 minutes for presentation.





3. Report on the Economic Situation. (Dr. Arthur Burns)

   Estimated time: 15 minutes plus.

4. Run-down on Legislative Program. (General Persons)

   This will probably be the last legislative round-table discussion at a Cabinet meeting before the end of the session. General Persons feels that it would be helpful to do this. His suggested approach is to call upon those Cabinet members who still have major bills pending to give a brief statement as to status of these measures, and the obstacles which make their passage difficult. In this way, help may come from the other Cabinet members because of personal friendships with Congressional members.

   Estimated time: 20 minutes plus.

16,000,000,108

5. **Department and Agency Reporting to the Bureau of the Budget on Bills. (General Persons)**

With the end of the session in sight, bills which are being passed by Congress are coming over to the White House in increasing numbers. Mr. Shanley will point out the importance for top echelon departmental consideration on bills transmitted to the President for his signature. There has been delay in many cases in submitting reports to the White House and these reports frequently have been written in too casual and routine a manner.

Estimated time: 5 minutes.

6. **Preliminary Report on Special Economic Operations (Governor Stassen)**

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

June 16, 1954

CIRCULAR NO. A-9
Revised

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Enrolled bills

1. Purpose. Under Executive Order No. 8248 of September 8, 1939, the Bureau of the Budget assists the President in his action on enrolled bills by obtaining the views of the agencies of the executive branch and presenting recommendations as to the President's action. This revision of Circular No. A-9 supersedes the revision dated October 25, 1948. Exact compliance with the provisions of this Circular will be expected in all cases unless departure from it is specifically authorized by the Bureau's Assistant Director for Legislative Reference or his representative.

2. Distribution of facsimile copies. The Bureau will obtain from the Government Printing Office facsimiles of each enrolled bill or resolution as soon as possible after final passage by both Houses of the Congress.

The Bureau will immediately forward a facsimile to each department or establishment considered to be affected by or closely concerned with the provisions of the measure. This transmittal will be accompanied by a request for views and recommendations concerning the President's action on the measure.

3. Agency reports to Bureau. Each department or establishment will be expected to transmit its report in duplicate to the Bureau within forty-eight hours (excluding Sundays) after receipt of the facsimile. This transmittal to the Bureau should be made by special messenger, and the report should be delivered to the person indicated in the request for views.

Reports on enrolled bills should contain (a) such comments or criticisms as the agencies believe will be helpful to the President in his consideration of the bill; (b) an indication of any factors which make it necessary or desirable for the President to take action on a particular date during the Constitutional time period, especially cases in which the date of action determines a future effective date of the law; (c) a statement by the departments or establishments responsible for operations under the legislation estimating the initial (first-year) and recurring costs or savings of the measure; and (d) a specific recommendation as to the action of the President. Reports recommending disapproval should be accompanied by a draft veto message addressed to the House of the Congress in which the measure originated, prepared on legal-size paper, double-spaced, in quadruplicate.

4. Transmittal to the President. The reports furnished to the Bureau, together with a covering summary and report from the Bureau, will be transmitted to the President not later than the fifth day following receipt of the enrolled bill at the White House.

By direction of the President:

ROWLAND R. HUGHES
Director

~~CONFIDENTIAL~~

FOREIGN OPERATIONS ADMINISTRATION
WASHINGTON 25, D. C.

OFFICE OF THE
DIRECTOR

President

July 2, 1954

MEMORANDUM

Tentative Special Economic Operations Plan Submitted for Comment

I. The policy objective of the President.

A. Raise the level of employment and business activity within the next six to nine months so that:

1. The inherent strength of the United States economy is reasserted.

2. The recent decline is definitely halted.

3. The essential confidence of the people in the sound economic policies of the Administration is maintained.

B. Toward this end:

1. Accelerate sound activities of government which will contribute to the desired result.

2. Defer or avoid actions of government which tend to counter the desired result.

D.S.A.

II. The operations method.

A. Informally enlist cooperation.

B. No authority involved.

C. Persistent follow-up.

DECLASSIFIED
Authority NLE 76-128, #2
By ARK NLE DATE 10/18/76

~~CONFIDENTIAL~~

III. The operations plan.

A. Concentrate extra attention of the Administration, including the independent agencies, upon accelerating action affecting:

1. Economic segments of special weakness.
2. Factors of unusual strength.
3. Geographic areas of special importance.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
WASHINGTON 25, D. C.

OFFICE OF THE DIRECTOR

June 21, 1954

MEMORANDUM

1. During the last session of Congress, this Administration opposed the enactment of legislation that would provide us with "stand-by" controls in the price, wage, rent and credit areas.

2. At the same time, however, we stated that we would go to work on the problem and would be in a position to present specific recommendations to the Congress in the event an emergency should develop.

In this connection we indicated that in all probability we would request immediate authority to impose a 90-day freeze, and that we would then be ready to work with the Congress on proposed legislation that would provide the statutory basis for our operation after the 90-day freeze.

3. This Administration has done what we said we would do, namely, we have been working on the recommendations that we would make for controls if an emergency situation should develop.

4. We will not raise with the Congress the issue of economic controls unless the President decides that the international situation makes it necessary for him to ask the Congress for additional authority to deal with the situation.

Arthur S. Flemming
Director

~~The President~~

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, July 9, 1954

1. Review of the Foreign Situation. (The Secretary of State)

2. Refugee Relief Program. (The Secretary of State)

3. Review of the Economic Situation. (Dr. Arthur Burns)

4. The Government and Red Unions. (The Secretary of Labor)

5. Power Policy. (The Secretary of the Interior)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BNC NLE, Date 4-28-77

MINUTES OF CABINET MEETING

July 9, 1954

10:10 A. M. to 12:20 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles, and his Administrator,
    Bureau of Security, Consular Affairs
    and Personnel, Mr. Scott McLeod
Sec. Humphrey
Deputy Sec. of Defense Anderson
    (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Under Sec. of HEW Nelson Rockefeller
    (for Sec. Hobby)

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge
Dr. Arthur Burns
Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Dr. Hauge
Mr. Martin

The President noted that Mr. Brownell would be delayed because of a necessary trip to the Hill to head off any maverick opposition to the proposed appointment of a Judge in a State without any Republican Senators.

- - - -

Foreign Situation - Mr. Dulles characterized the recent visit of Mr. Churchill and Mr. Eden as most important for its contribution to a closer relationship between our two countries. He indicated that no specific solution of major problems had been attempted but that considerable discussion had been given to the problems involving Germany should the French Chamber recess without acting on EDC. Also discussed at length was the prospect of a Southeastern Asia grouping to maintain settlement should a satisfactory one be forthcoming from Geneva. He noted also the current problem of US participation in the second phase of the Geneva Conference, about which the President commented on the apparent soundness of the US position but possible adverse inference to be drawn by other nations of the world.

Mr. Dulles noted the happier situation in Guatemala which was obtained in part because of Mr. Eden's willingness to cooperate in regard to the UN aspect following his discussions here immediately on arrival. Amb. Lodge commented on the marvelous speech dictated by Sec. Dulles for use in the UN. The President noted his authorization of using the veto in this matter and his satisfaction that use had not been necessary.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By gwc NLE, Date 4-28-77

In regard to the current discussion over admission of Communist China to the UN, the Secretary of State expressed confidence that the US position would stand up in the UN. The President commented on Mr. Churchill's close agreement with the US attitude on this subject, and the Vice President noted the recent shift in the attitude of Prime Minister Menzies of Australia.

During Mr. Dulles' report, reference was made to the pessimistic attitude of the Chief of Staff of Thailand who was returning to his country without securing the assistance requested. The President queried whether adequate administrative machinery existed for acting on these questions. Secretary Anderson explained that the Chief of Staff had desired approval for a program greatly expanded at the last minute and that Defense was merely delaying decision, without rejecting the proposal, until adequate reports could be secured from the appropriate military advisory group. The President hoped that the Thailand Chief of Staff could be made to understand our sympathetic approach before his departure.

Sec. Anderson noted the continuing need for attention to the matter of securing the evacuation from Indo-China of materiel furnished to the French, and Secretary Dulles and the President commented on our right to have it returned.

Refugee Relief Program - Mr. Scott McLeod, of the State Department Bureau of Security, Consular Affairs and Personnel, presented a series of charts showing the development and status of the State Department program for carrying out the Emergency Immigration Program authorized in August, 1953. He noted delays occasioned by the need for staffing the program, by the slowness of foreign countries in working out satisfactory agreements and documentation, and he announced that the program was now ready to move into high gear. In response to a query from the President, he stated that the State Department had a program ready for fostering the flow of assurances from US citizens.

Mr. McLeod requested assistance in securing amendment to the basic Act in order to give a greater option for ethnic groups within any given nationality and also in regard to orphans. Secretary Dulles commented on the legal obstacles imposed by the assurances required by law. The President commented on his dislike of having detailed administrative instructions written into law, thus eliminating Executive discretion, and his own wonder as to where Americans would be now if their forefathers had been required to obtain such assurances.

Economic Situation - Dr. Burns reported as directed at the last Cabinet meeting on the suggestion of increasing the minimum wage to 85 cents. He indicated that the absence of suitable statistics prevented definitive answers but that available statistics indicated that the greatest impact would be on industries and areas which have shown the greatest employment losses in recent times. He concluded, in keeping with the philosophy of the 1954 Economic Report to the Congress, that the increase should be postponed until these particular industries -- textiles, fertilizer, cigar manufacturing, southern lumber -- could take them in stride. He commented that, while some northern manufacturers would welcome the increase to ease competition from southern concerns, in the long run the benefit might well go to foreign manufacturers.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

Minutes of Cabinet Meeting, July 9, 1954 - page 3

Sec. Humphrey recalled the letters from Messrs. Lewis, Beck and McDonald and suggested that a single reply for all of them, without publicity, be made by Gov. Adams. There was no dissent to the text of the proposed reply.

Sec. Humphrey stressed the need for giving attention now to the economic difficulties which may be encountered in the spring of 1955, particularly since they may be intensified by using up appropriations at present and thus doubling the impact of any subsequent down-turn. The President took exception to part of his argument on the basis that present programs in some cases will just be beginning to take effect next spring.

Mr. Humphrey indicated the opposition being made by Sen. Byrd to any increase of the debt limit. He prophesied about the cash on hand situation month by month during the coming year, with a dangerous situation developing in the very near future. He predicted also a decrease of tax receipts during the coming year. He indicated that Sen. Byrd would be willing to change the definition of what should be included in the limited debt or to have the Administration endorse for cash some of its holdings such as surplus crops.

The President desired to make clear that further reduction of essential Defense appropriations was impossible and that only "extravagances" remained for reduction. Sec. Humphrey indicated that the question would have to be raised later on with the legislative leaders and that it was essential to avoid any endangering of confidence by slipping back into further deficit financing.

Sec. Weeks displayed an interesting and reassuring chart on employment and unemployment.

(The President was called out of the meeting at this point.)

Sec. Anderson noted the recent leak of the Hook report on military pay. He went on to indicate that should a general 5% raise be given to postal and classified workers, Defense would have to request the same for military personnel.

Following the Postmaster General's report on the Congressional situation in regard to postal rates and wages, Chairman Young indicated that the Administration had not agreed to a 5% raise for classified workers but the Postmaster General indicated that such a raise would be reported out of Committee. Sec. Humphrey stated that anyone who wanted to spend more money would have to provide new taxes. Mr. Summerfield emphasized that the postal wage increase was tied to the rate increase as far as the Administration was concerned.

Sec. Anderson indicated that Defense could await the outcome of Congressional action on postal rates and salaries before going further.

Mr. Hughes underscored Sec. Humphrey's previous remarks about deficit financing in order to maintain confidence which, if lost, could destroy the national economy.

Sec. Weeks reopened the question of providing financing for the Navy tanker program but Gen. Persons recalled the agreement that priority should be

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By SHC NLE, Date 8-9-76

given to securing construction of the tankers without insisting on a particular method of financing.

Power Policy - Sec. McKay noted that the Administration power policy remains the same as that set forth by the President at Seattle during the campaign. He emphasized three major differences from Democratic policy as consisting of (1) no Federal responsibility for the power needs of any local area, (2) the Federal Government does not undertake to decide whether distribution of power should be by public or private enterprise, and (3) this Administration supports the principle of repayment with interest over a 50-year period.

(The President returned to the meeting.)

Sec. McKay went on to point out that the only existing shortages of power at the present time were in areas dominated by public power. He made clear that the Federal Government was not proposing the sale of any Government generating plant. He also stated that the Federal Government had a necessary responsibility in some multi-purpose projects. He commented on the irony of Sen. Hill's position with regard to withdrawing the authorization for five public power projects in Alabama. Gen. Persons noted the pressures put upon Sen. Hill in this case. Sec. McKay decried the propaganda that the Government's position on Hell's Canyon amounted to a give-away since the Government could commandeer the site on a reimbursable basis if necessary under changed conditions, and he noted also the major question as to whether the Snake River had sufficient water for the project.

In response to the Vice President's question, Director Hughes noted that a speech was being prepared for delivery in the House and another for Sen. Fulbright in the Senate answering the opposition charges against the Administration position on the AEC power contract.

The President stated the argument that can be made against TVA in terms of the need for development of other rivers previously unattended, and he commented on the many pressures put on him for development of other rivers. He emphasized his campaign position favoring partnership among the locality, private enterprise and the Federal Government where necessary, and he repeated his devotion to the Lincoln precept of the Federal Government doing those things which the people cannot do for themselves. The President expressed his belief that the Government was right in building some steam plants to firm up hydroelectric power but that the process should not be carried on to a power monopoly by TVA. He recounted the illogic of Governor Clement who maintained that TVA did not constitute a Federal subsidy but who at the same time was horrified at the suggestion that TVA bonds could be sold commercially. The Vice President emphasized the need for presenting positive aspects of Administration water policy as, for instance, the St. Lawrence Seaway.

Sec. McKay noted the need for eventual building of more storage capacity in the Northwest to firm up the power already there.

Following the Vice President's suggestion that the Governors Conference might give some support to the Administration power policy, the President indicated he might take up with Gov. Thornton the subject of an address by Sec. McKay. The latter indicated the success of one such effort at the Governors Conference at Colorado Springs.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

L.A.M.
L. A. Minnich, Jr.

~~CONFIDENTIAL~~

PERSONAL AND CONFIDENTIAL

TO: MRS. WHITMAN Please destroy when no longer used.

NOTES ON CABINET MEETING

July 9, 1954

Refugee Relief Program - A program for stimulating "sponsorship" by U. S. citizens of potential immigrants under this Act will soon be initiated by the Department of State.

Every effort will be made to secure satisfactory appropriations for the program and also favorable action by the Senate on H. R. 8193, amending the Refugee Relief Act of 1953.

Economic Situation - It was agreed that no change should be made at the present time in the Administration position with respect to the minimum wage level.

It was agreed that a single reply should be made by Governor Adams to the several similar letters received by Cabinet members from a group of labor leaders concerning the economic situation.

Wage Increases - The Department of Defense will withhold decision on the matter of requesting a general military pay increase until the situation concerning the postal wage increase is clarified in Congress.

VP
Budget
Defense
CSC
Dr.Burns

- - - -

PERSONAL AND CONFIDENTIAL

THE WHITE HOUSE
WASHINGTON

July 9, 1954

PERSONAL AND CONFIDENTIAL

5

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Refugee Relief Program - A program for stimulating "sponsorship" by U. S. citizens of potential immigrants under this Act will soon be initiated by the Department of State.

Every effort will be made to secure satisfactory appropriations for the program and also favorable action by the Senate on H. R. 8193, amending the Refugee Relief Act of 1953.

Economic Situation - It was agreed that no change should be made at the present time in the Administration position with respect to the minimum wage level.

It was agreed that a single reply should be made by Governor Adams to the several similar letters received by Cabinet members from a group of labor leaders concerning the economic situation.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Honorable Harold E. Stassen
The Director
Foreign Operations Administration

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, July 9, 1954

1. Review of the Foreign Situation. (The Secretary of State)

2. Refugee Relief Program. (The Secretary of State)

   Recent developments indicate that this program is now beginning to move forward. The Secretary of State will make a presentation of the way this program is now being administered.

3. Review of the Economic Situation. (Dr. Arthur Burns)

4. The Government and Red Unions. (The Secretary of Labor)

   There are certain unions in the United States that have a Communist tinge. The Secretary of Labor will discuss what the attitude of the Administration should be toward these unions.

5. Power Policy. (The Secretary of the Interior)

   It has been suggested that a statement of our power policy will be of great help to the members of the Cabinet as they prepare for speaking engagements. There is the likelihood that questions may come up regarding this matter.

Maxwell M. Rabb

James [illegible]

John
James
George
Nancy

July 8, 1954

MEMORANDUM FOR GOVERNOR ADAMS

FROM: Max Rabb

Director Hughes would like to add on another item to the Cabinet agenda, "Proposed Legislation Regarding Government in Business".

This will be a report of discussions which he has had with Congressman Hosmer relative to legislation on this subject. Hosmer has been urging a board be established by Congress. Hughes and his associates believe that there should be a statement of policy to this effect, but that enforcement should be under regulations issued by the President.

REFUGEE RELIEF PROGRAM
STATUS OF VISA APPLICATIONS
July 2, 1954

	Italy	Greece	Netherlands	Germany	Austria	Japan	Total
1. Cases examined and applicants notified of documents required	22,769	4,843	199	274	270	69	28,424
2. Applicants qualified as to documents	12,398	1,570	126	157	19	60	14,330
3. Applications tentatively approved and referred for investigation	15,004	2,967	242	3	28	60	18,304
4. Applications approved and scheduled for formal application and visa issuance	5,029	1,358	63	134	20	60	6,630
5. Visas issued	4,211	1,182	63	123	20	34	5,633
6. Visas refused	377	178	0	2	0	0	555
7. Assurances received by Administrator	904	4,262	21	3,182	1,200	108	9,677
8. Assurances verified and sent to field	208	1,651	5	595	282	23	2,764

All figures cumulative.

July 9, 1954

MEMORANDUM FOR: The President

FROM: Maxwell M. Rabb

For your information, Secretary Anderson raised the question of military pay increases during the brief time you were out of Cabinet this morning.

He believed that Defense Department would have to ask for a 5% increase in military pay if 5% is approved for postal workers and civil service employees. He believed that Defense could get by without making such a request should the 5% apply only to postal workers.

After the Postmaster General and others explained the confused status of things on the Hill, Secretary Anderson indicated Defense could postpone any action on this question a little while to see how things work out in regard to postal salaries.

THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

July 8, 1954

Dear Mr. Lewis:

The President has carefully read your letter of June thirtieth and asked me to reply on his behalf.

The President wants you to know that it is the Administration's determination to bring the economy through the current transition from a war-time basis to a more nearly peace-time basis with a minimum of hardship to our working people, farmers and businessmen. The facts show that the decline which began last year has been halted. The downward spiral that some gloomily predicted last winter would carry us into another deep depression has not developed. These dire prophets, whatever their motives, have been discredited.

The task now, having stopped the decline, is to move forward into a new phase of economic growth. Every effort of the Administration, embracing many of the specific areas touched on in your letter, is being exerted toward this end. The President's economic program is now in various stages of Congressional consideration. This program, coupled with wise and courageous action in the field of money and credit, has billions of dollars of economic stimulus in it.

The President has instructed me to transmit those suggestions in your letter which are not now represented in his program to the appropriate members of his Cabinet for evaluation. He wants you to know that he will continue to welcome suggestions for further action to speed the growth of the economy for the benefit of all our people.

I understand that several Cabinet officers have received letters identical to the one you sent the President. I believe it is their desire that this response serve for them as well.

With best wishes.

Sincerely,

Mr. John L. Lewis
President
United Mine Workers of America
Washington, D. C.

(file in central files)

GH:rc

The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, July 16, 1954

✓ 1. Monitored Telephone Calls. (Governor Adams) ✓

✓ 2. Organization for the Development and Coordination of Foreign Economic Policy.
(Governor Adams and Mr. Rockefeller) ✓✓✓✓✓

3. Report on St. Lawrence Negotiations.
(The Deputy Secretary of Defense) ✓

4. Report on Action Taken by Defense Mobilization Board on Manganese.
(Director, Office of Defense Mobilization) ✓

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By SHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

July 16, 1954

9:00 A. M. to 11:35 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Deputy Sec. of Defense Anderson
(for Sec. Wilson)
Mr. Brownell, and
Deputy Attorney General Rogers
Mr. Summerfield
Under Sec. of Interior Tudor
(for Sec. McKay)
Under Sec. of Agriculture Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby, and
Under Sec. of HEW Rockefeller

Director Hughes
Dr. Flemming
Acting Director of FOA Glen Lloyd
(for Gov. Stassen)
Chairman Young
Dr. Arthur Burns
Amb. Lodge (in part)

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Hagerty
Dr. Hauge
Mr. Morgan
Mr. Snyder
Mr. Gruenther
Mr. Rabb

Monitoring of Telephone Calls - Gov. Adams reviewed the Sub-Cabinet discussions of this matter and the agreement reached to the effect that (1) no general directive would be in order, (2) some abuse of the technique did exist, (3) that its practice should be reduced in every possible way, and (4) that the other party on the line should be informed whenever monitoring occurred. He called attention to the memorandum distributed at this meeting and embodying these and other related thoughts.

The President expressed his agreement with the recommendations in the memorandum and emphasized the desirability of informing the other party of any monitoring. Gen. Persons indicated the harm done to the Army by virtue of Congressional knowledge of monitoring practices. Secretary Dulles noted his desire to have a record of promises he made in telephone conversations, and Mrs. Hobby suggested the need for an appointment secretary to keep track of commitments made. The President believed no serious charge concerning monitoring could be made so long as no substantive record of a conversation were kept.

In regard to publicity, Sec. Anderson noted that Defense intended to carry out the recommendations in the memorandum but to do so without public announcement, and the President so agreed.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

Foreign Economic Policy Organization - Mr. Rockefeller presented the memorandum outlining the study to be made by the Advisory Committee on Government Organization and the Director of the Budget concerning the adequacy of organization for development and coordination of an economic policy. He noted that many important areas requiring coordination had become apparent even after the settlement made at the establishment of FOA. The President emphasized the complexities of many of these subjects and cited particularly the problem of lead and zinc. It was noted that selection had not yet been made of an individual to head the study group.

Without desiring to initiate a detailed discussion, Sec. Weeks pointed to the extensive overlapping in such areas as overseas personnel and capital investments -- two items which Commerce is anxious to have discussed. The President commented on the continuity of the attache problem where he suspected much duplication existed. He voiced the belief that he had always upheld -- the first authority of the Ambassador in any country -- but that he had for a time agreed in the propriety of certain individuals representing particular departments. He stated that he was beginning to have some misgivings about separate representation, for all such work was essentially a "team performance", and any individual would be unable to accomplish very much without strong Embassy support. He believed the Embassy support might be weakened by making particular attaches the direct representatives of Cabinet officers.

Following Sec. Humphrey's comment on the impossibility of completely avoiding daily problems of foreign economic policy through organizational changes, the President stressed the need for an agency to insure some digested staff work prior to presentation of these problems to the President, of which too many now come directly to him.

The President spoke of his occasional thought that the Bureau of the Budget might be enlarged to incorporate such functions, then noted the obstacle of Budget having a special responsibility for saving money which would make that agency suspect in the coordination of matters not directly related to the Budget.

St. Lawrence Seaway - Sec. Anderson reported that negotiations with the Canadians for getting the St. Lawrence project underway were proceeding fairly well, but that the Canadians now were suggesting that their Cabinet would have to review policy in the face of the US reversal of its 1952 position. Also, the Canadians wished to re-impose upon the US responsibility for $15 million involved in the construction of the 14-foot canal on the Canadian side and another $15 million involved in dredging. The US had been released from these obligations when it appeared that Canada would build the seaway alone. Sec. Anderson suggested that there was some validity to the Canadian position on dredging but that this could be taken care of through area tolls. The President agreed with Sec. Anderson's aversion to asking Congress for increased funds for these items.

Mr. Anderson noted other pending questions regarding treatment of ships using Canadian waters alone, applicability of the McCarran Act, and most-favored-nation clauses pertaining to transit of inland waters. He stated his desire to have the help of the State Department in working out agreement on these matters through exchange of notes. The President

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bcl NLE, Date 11/20/78

suggested the desirability of securing more permanent settlement of some of the matters by incorporating them in a Treaty. He went on to refer to the Panama Canal negotiations as a model. Sec. Anderson noted finally the misgivings voiced by Gen. McNaughton over the implications of some of the pro-Seaway arguments advanced by US spokesmen who argued that approval would give the US a voice in control of the Seaway -- thus undermining the mutual trust of Canada and the US.

Director Hughes and Mr. Tudor called attention to the request to be expected from cities in the Great Lakes area for a harbor development. The President referred strongly to the debates on the Seaway and the predictions from the opposition that the Wiley Bill would be merely a first step. He indicated complete lack of sympathy with requests for aid in what he believed ought be financed by the particular cities benefiting from the harbor development.

Sec. Dulles noted the similarity between harbor development and highway construction, to which the President replied that the Federal Government did not intend to pay the entire bill on highways.

(Ambassador Lodge arrived at the meeting near the end of this discussion.)

Manganese Purchases - After noting the political questions involved in this matter concerning Virginia particularly, Dr. Flemming read the memorandum presented to the Cabinet concerning the current proposal for expanding the program for purchasing low grade manganese ore for the stockpile and establishing a new storage depot in Virginia. He emphasized that the program had been undertaken originally when the supply of manganese was extremely doubtful but that currently a more than adequate supply for future emergency exists. He stressed also the extra cost which would be incurred by the Government if it adopted this expanded program. He stated the conclusion of the Defense Mobilization Board that the current proposal should be rejected.

The President commented that this was the first he had heard of the purchase program at premium prices for low grade ores, though he did recall the pressures exerted on him when a young Major for initiation of a manganese buying program. In response to Gov. Adams' query as to the need for an immediate decision, Mr. Flemming indicated that some of the questions involved might well be explored further. It was agreed that Dr. Flemming would discuss this further with Gov. Adams.

Employee Security Program - The Attorney General called attention to a bill supported by Sen. Mundt which would vest in the Department of Justice strong central control over the Employee Security Program. Mr. Brownell stated his strong disapproval of the bill and suggested a possible compromise to be secured by amending the Executive Order to have each Department report within 90 days its disposition of any FBI report containing derogatory information. Delinquencies would then be reported to the White House for appropriate action. Mrs. Hobby believed the compromise desirable provided the amendment to the Executive Order were worded carefully.

Sec. Dulles raised the question of what constituted derogatory information, since considerable trivia and unsupported allegations do appear in the reports. He added that if the procedure were to be changed, it would be desirable to soften some of the provisions as they relate to suspension

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

of the employee, cutting off of salary, etc. He believed that present hardship provisions cause officials to hesitate to act on anything less than well substantiated information. He indicated his understanding that investigation of allegations and hearings to produce a clear-cut decision could not be initiated without suspending the employee. Subsequent discussion clarified this to show that suspension was mandatory prior only to formal hearings. The President agreed with Sec. Dulles in opposing premature suspension, but the Attorney General asserted that the law required that the head of an agency suspend an employee whenever he believed it inconsistent with national security to retain him in the position. The President suggested the possibility of temporary transfer to a non-sensitive position and also pointed out the possibility of cases where the head of a department would desire further investigation before arriving at any conclusion of "inconsistent with national security".

Chairman Young recalled the original practice of transferring to non-sensitive positions, which was suspended because of a Justice Department ruling that the law prohibited such action.

Secretary Dulles emphasized the loss of capable employees who would resign rather than undergo the experience of formal hearings which would be required in order to produce a definitive clearance of the individual.

The President asserted several times that a method must be found for handling such cases which would insure justice to the individual, and that he himself would take the responsibility for establishing the necessary procedures. He spoke strongly against anyone taking the easy way out by dismissing the employee despite a firm conviction of the person's loyalty. He stressed the need for sufficient courage to defend the individual under such circumstances. He recognized the difficulties involved in finding exactly the right procedure.

Mr. Flemming, the Vice President, and the Attorney General urged as a desirable solution the use of written interrogations under oath and the holding of preliminary hearings with sworn testimony, all of which could be accomplished without suspension of the employee since it would be prior to the formal hearings required by law.

Mr. Dulles and the Vice President made reference to the Alger Hiss and Dr. Oppenheimer cases as examples of the difficulty of forming a correct opinion prior to having all the information which can be developed through sworn testimony.

Chairman Young called attention to the report under preparation by the Civil Service Commission on the tendencies and deficiencies of the security program during its first year and he urged that this report be studied carefully prior to any changes in the law or the Executive Order. The President believed it undesirable to add more laws to the existing difficult situation.

Sec. Humphrey expressed the feeling that the Administration should be able to procure sufficient people above any shadow of suspicion to fill all offices. Sec. Dulles questioned sharply if this meant the dismissal of all people against whom there existed an unproved charge, as for instance those who had associated with Alger Hiss in the Department of State and Harry Dexter White in Treasury. Mr. Humphrey admitted that it did not and that further investigation and full review would be necessary.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

The Vice President urged that should any change be made, caution should be exercised to insure that the President and Cabinet officers were not put in the position of having to make decisions prior to full investigation.

No reply was made to Sec. Tudor's expression of his understanding that this discussion did not prohibit suspensions in some cases prior to final hearings.

Mexican Migratory Labor - Mr. Brownell reported on the excellent progress of the State-Justice-Labor campaign to prevent illegal entry of Mexican laborers into the United States. He noted the considerable help received from the Army and the Mexican Government.

Mr. Brownell cited the need for having an LST for transporting returnees but that the Navy Department had suggested the possibility of diplomatic implications in using an American Flag ship. The Secretary of State indicated that he would get an answer to Mr. Brownell.

Assistant Secretary for Administration - Sec. Weeks noted the recent legislation abolishing the post of Assistant Secretary for Administration in the Department of Commerce. He believed that the other four departments having such positions might wish to do likewise. He noted that although the original Hoover Commission on Organization had recommended that these posts be filled by career officials, the current Hoover Commission was about to reverse its decision.

L.A.M.
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

I know that the Cabinet members would welcome remarks by Secretary Dulles relative to the present foreign situation. Do you think we should schedule this on the agenda?

Not unless
we have lots
of time. He
is going to
brief N.S.C.
DE

Max Rabb
Maxwell Rabb

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, July 16, 1954

1. New Method of Attack. (Chairman Hall)

   This is a chart presentation of a new plan for getting maximum impact from the top-level speakers who will move around the country.

2. Organization for the Development and Coordination of Foreign Economic Policy. (Governor Adams)

   At present the Executive Branch lacks an orderly system of identifying and reconciling conflicting points of view and interests in the development of long-range international economic objectives in support of our foreign policy, as well as in the development of policies and programs to achieve these objectives. This presentation will explain an action which the President has taken, and which requires the cooperation of all members of the Cabinet, to wit, a special study at high level. There will be a paper on this subject distributed at the meeting.

3. Monitored Telephone Calls. (Governor Adams)

   There has been considerable concern expressed about this practice and particularly because of recent disclosures. This matter has been the subject of discussion and analysis in the Sub-Cabinet meetings and a position paper will be presented.

4. Report on St. Lawrence Negotiations. (Secretary Anderson)

   A statement relative to the outcome of the recent conferences with Canadian officials.

5. Report on Action Taken by Defense Mobilization Board on Manganese. (Director Flemming)

   This matter, because of its possible political implications, requires submission to the Cabinet.

PERSONAL AND CONFIDENTIAL

TO: Mrs. Whitman　　　Please destroy when no longer used.

NOTES ON CABINET MEETING
July 16, 1954

Monitoring of Telephone Calls - Approval was given to the recommendations in the memorandum presented by Governor Adams. The memorandum is for the personal use only of department heads and is not to be circulated.

It was agreed that no publicity would be given this action except as necessary in reply to questions within the Department.

Foreign Economic Policy Organization - The President requested Cabinet members to cooperate fully in the study being undertaken by the Advisory Committee on Government Organization and the Director of the Budget concerning the adequacy of Executive Branch organization for development and coordination of foreign economic policy.

St. Lawrence Seaway - The Deputy Secretary of Defense, working in conjunction with the State Department, will explore the possible means of settlement of points still at issue between Canada and the United States in this matter. The President suggested the desirability of giving greater permanence to certain of these agreements by incorporating them in a Treaty.

Manganese Stockpile - Mr. Flemming will explore further the issues involved in the proposed modification of the Low Grade Manganese Ore Purchase Depot Program.

Employee Security Program - The Attorney General will consider further the suggested revision of the Executive Order governing this program so as to insure just treatment of employees concerned. It was noted that the Civil Service Commission will soon complete a full report on the operation of the program during the past year.

Secretary Dulles will review with the Attorney General and State Department Counsel the problem he raised concerning suspensions and will if necessary raise the question again at the next Cabinet meeting.

State
Defense
Justice
Labor

Mexican Migratory Labor - The Secretary of State will inform the Attorney General concerning any diplomatic implications of using a US Navy vessel to transport back to Mexico migratory laborers who have illegally entered this country.

Assistant Secretary for Administration - It was suggested that other

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

~~CONFIDENTIAL~~

TO: Mrs. Whitman Please destroy when no longer used.

Notes on Cabinet Meeting, July 16, 1954 - page 2

departments concerned may wish to consider the desirability of following the action taken by the Department of Commerce in eliminating this position.

The Secretary of Commerce noted that the position of the first Hoover Commission on Organization with respect to these posts would undoubtedly be reversed by the present Commission.

- - - -

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

July 16, 1954

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting. A copy of this letter is being sent to the Honorable Glen L. Lloyd, who represented you at the meeting.

Monitoring of Telephone Calls - Approval was given to the recommendations in the memorandum presented by Governor Adams. The memorandum is for the personal use only of department heads and is not to be circulated.

It was agreed that no publicity would be given this action except as necessary in reply to questions within the department.

Foreign Economic Policy Organization - The President requested Cabinet members to cooperate fully in the study being undertaken by the Advisory Committee on Government Organization and the Director of the Budget concerning the adequacy of Executive Branch organization for development and coordination of foreign economic policy.

St. Lawrence Seaway - The Deputy Secretary of Defense, working in conjunction with the State Department, will explore the possible means of settlement of points still at issue between Canada and the United States in this matter. The President suggested the desirability of giving greater permanence to certain of these agreements by incorporating them in a Treaty.

Manganese Stockpile - Mr. Flemming will explore further the issues involved in the proposed modification of the Low Grade Manganese Ore Purchase Depot Program.

Employee Security Program - The Attorney General will consider further the suggested revision of the Executive Order governing this program so as to insure just treatment of employees concerned. It was noted that the Civil Service Commission will soon complete a full report on the operation of the program during the past year.

Secretary Dulles will review with the Attorney General and State

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By SHC NLE, Date 8-4-76

Department Counsel the problem he raised concerning suspensions and will if necessary raise the question again at the next Cabinet meeting.

Assistant Secretary for Administration - It was suggested that other departments concerned may wish to consider the desirability of following the action taken by the Department of Commerce in eliminating this position.

The Secretary of Commerce noted that the position of the first Hoover Commission on Organization with respect to these posts would undoubtedly be reversed by the present Commission.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Honorable Harold E. Stassen
The Director
Foreign Operations Administration

~~CONFIDENTIAL~~

MONITORING OF TELEPHONE CALLS

I. INTRODUCTION

In recent months, the practice of telephone monitoring in the Federal establishment has come under severe criticism from Congressional and press sources. For several years, the monitoring of calls has been a widespread practice at many levels of government by a number of -- though not all -- departments and agencies. The Sub-Cabinet has explored the extent and utility of this practice within the various departments and agencies. It has been thought prudent that the Executive Branch formulate a policy that may bring about a general understanding within the government of the desirable course to follow with respect to this practice.

II. JUSTIFICATIONS FOR THE PRACTICE

1. It enables an executive to have his assistant carry out at once certain action commitments without the time-consuming need of repetition.

2. It serves as a useful record, for immediate and future use, of ideas expressed or commitments entered into.

III. ARGUMENTS AGAINST THE PRACTICE

1. It represents an invasion of privacy which violates the confidence of the party who is unaware of the presence of a third person taking stenographic notes.

2. Knowledge that a call may be monitored tends to discourage the candid interchange of views and thus to slow down the transaction of the government's business.

3. There is considerable cost to the government involved in maintaining sufficient manpower to carry on the practice of monitoring. Monitoring, which is widely employed in a number of regional offices of the government as well as in Washington, consumes many valuable hours of secretarial time.

IV. RECOMMENDATIONS

1. The practice of monitoring has been seriously abused. Continued abuse may well provoke Congressional action that would prove a

~~CONFIDENTIAL~~

serious embarrassment to the Executive Branch. While an Executive Order would in all probability be inadvisable, each individual department head, exercising his own discretion as to the appropriate method of dealing with the problem, should clearly discourage such abuses of the monitoring habit as continue to exist in his establishment.

2. There are, of course, special circumstances in which a secretarial ear trained on a conversation can serve a useful and time-saving function, and the determination of when the practice should be employed rests within the discretion of each department head. Such occasions should, however, be considered as an exception to normal procedure.

3. When the presence of a recording secretary on the line seems desirable, it should be the general practice of the person who wishes the record to be kept to advise the other party.

THE WHITE HOUSE
WASHINGTON

July 16th

MAX

re FRIDAY 'S CABINET AGENDA

There will be an item concerning the President's letter to Rockefeller--Hughes to initiate appropriate studies of "Organization and Coordination of Foreign Economic Policy".

Arthur Kimball is working on notes. He will fill you in at your convenience.

The President will probably want to speak to the matter first, but the Rockefeller-Hughes combo should be present to answer questions.

Kimball thinks there will be Cabinet memo for distributionat the meeting. (I suggest there be no attempt at advance circulation.)

Art

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT ORGANIZATION

7/15/54

Mr. Raab

Max

Here are copies of the discussion outline for distribution at Cabinet tomorrow.

(Will you see that the Governor has a copy, to replace his typewritten draft.)

Art Kimball

MEMORANDUM July 15, 1954

The Dwight D. E [illegible] Library

TO: The Cabinet

FROM: Sherman Adams

SUBJECT: Organization for the Development and Coordination of Foreign Economic Policy.

Action Recommended to the President by:
The President's Advisory Committee on Government Organization
The Bureau of the Budget

I. PROBLEM

At present the Executive Branch lacks an orderly way of identifying and reconciling conflicting points of view and interests in the development of long-range international economic objectives in support of our foreign policy as well as in the development of policies and programs to achieve these objectives. Executive Branch organization should provide to the maximum a systematic means by which the President can focus responsibility for the following functions:

A. The Development of long-range international economic objectives in support of our foreign policy.

B. The development of international economic policies to achieve these objectives within the framework of domestic political and economic considerations.

C. The development of programs and actions to carry out our international economic objectives within the framework of the policies.

D. Furnishing of systematic evaluations

(1) of economic developments abroad to permit an effective anticipation of problems which will arise.

(2) of the extent to which economic programs are meeting our objectives and are consistent with our policies.

II. CONSIDERATIONS

A. Over the past several months it has become increasingly apparent that we will continue to face a series of complex problems in the foreign economic field.

B. Organization of the Government for the development of foreign economic objectives and policy must be geared not only to over-all foreign policy but directly affects domestic political and economic considerations.

C. Under present arrangements some of the foreign economic problems are handled by the State Department and Foreign Operations Administration, some by one or more of the President's immediate assistants, some by Cabinet Committees, some by the National Advisory Council and in a few cases by the National Security Council or the Cabinet; such ad hoc arrangements have not always produced the timely or decisive action required by the seriousness or urgency of the problems encountered.

D. This problem may well go beyond the need for better coordination of existing responsibility of the Government agency concerned, and may involve questions as to whether certain foreign economic functions are now properly assigned.

III. RECOMMENDATIONS

A. Appraisal Urgently Needed

An appraisal of the high-level relationships here and abroad which have a bearing upon the formulation of foreign economic policy as well as the suitability of existing machinery for implementing such policy is urgently needed.

IV. ACTION APPROVED BY PRESIDENT

A. Study Requested

The President has requested his Advisory Committee on Government Organization and the Director of the Bureau of the Budget jointly to make a study of the adequacy of Executive Branch organization for the development and coordination of foreign economic policy. (See the President's letter - attached).

B. High Priority; Top-Level Direction

The President attaches a high priority to this study and has indicated that he will assist in obtaining a top-notch individual thoroughly familiar with this problem to give full-time, top level direction. This individual will be provided such special staff as is necessary to supplement the staff resources of the Budget Bureau and the President's Advisory Committee on Government Organization.

C. Consultation with Key Officials

At an early stage there will be need for consultation with Members of the Cabinet and other Government officials concerned.

V. TIMING AND PUBLICITY

There should be no publicity or discussion of this study for the time being, pending a White House decision regarding the manner and timing of announcing the project.

C
O
P
Y

THE WHITE HOUSE

Washington

July 12, 1954

Dear Sirs:

Over the past several months it has become increasingly apparent that we are going to be faced with a continuing series of complex problems in the foreign economic field which not only will involve over-all foreign policy, but will often directly affect basic domestic policy questions.

In discussions with you and others as to the manner in which the Executive Branch has handled these problems over the last year, my attention has been called to difficulties which may be attributed at least in part to inadequacies in the organizational structure for handling the development and implementation of foreign economic policy.

I am impressed with the fact that at present, the Executive Branch lacks an orderly way of identifying and reconciling conflicting points of view and interests in the development of long-range international economic objectives in support of our foreign policy as well as in the development of policies and programs to achieve those objectives. This is also true in arriving at solutions to individual foreign economic problems in a way that reflects our best overall national interest. Some of these problems have been handled by the State Department, some by one or more of my immediate assistants, some by Cabinet Committees, some by the National Advisory Council, and in a few cases by the National Security Council or the Cabinet. Despite the best efforts, the handling of such problems on an ad hoc basis has not always produced the timely or decisive action required by the seriousness or urgency of the problem encountered.

Accordingly, I desire as a matter of high priority, that my Advisory Committee on Government Organization and the Director of the Bureau of the Budget collaborate in a study of the suitability of existing organizational machinery for the formulation and implementation of foreign economic policy within the framework of our overall foreign policy, and develop specific recommendations for my consideration.

I agree with your suggestion that, in order to assure that this study has full-time top-level direction, the Committee and the Bureau of the Budget should secure to direct the staff work of this project a top-notch individual thoroughly familiar with this problem and well versed in high-level government organizational relationships. I am sure you will also have the full cooperation of all officials of the Government who can contribute to the success of this project.

Sincerely,

/s/ Dwight D. Eisenhower

Honorable Rowland R. Hughes
Director, Bureau of the Budget

Honorable Nelson A. Rockefeller
Chairman, President's Advisory
Committee on Government Organization

July 15, 1954

MEMORANDUM

TO: The Cabinet

FROM: Sherman Adams

SUBJECT: Organization for the Development and Coordination of Foreign Economic Policy.

Action Recommended to the President by:
The President's Advisory Committee on Government Organization
The Bureau of the Budget

1. PROBLEM

At present the Executive Branch lacks an orderly way of identifying and reconciling conflicting points of view and interests in the development of long-range international economic objectives in support of our foreign policy as well as in the development of policies and programs to achieve these objectives. Executive Branch organization should provide to the maximum a systematic means by which the President can focus responsibility for the following functions:

A. The development of long-range international economic objectives in support of our foreign policy.

B. The development of international economic policies to achieve these objectives within the framework of domestic political and economic considerations.

C. The development of programs and actions to carry out our international economic objectives within the framework of the policies.

D. Furnishing of systematic evaluations

- (1) of economic developments abroad to permit an effective anticipation of problems which will arise.
- (2) of the extent to which economic programs are meeting our objectives and are consistent with our policies.

II. CONSIDERATIONS

A. Over the past several months it has become increasingly apparent that we will continue to face a series of complex problems in the foreign economic field.

B. Organization of the Government for the development of foreign economic objectives and policy must be geared not only to over-all foreign policy but directly affects domestic political and economic considerations.

C. Under present arrangements some of the foreign economic problems are handled by the State Department and Foreign Operations Administration, some by one or more of the President's immediate assistants, some by Cabinet Committees, some by the National Advisory Council and in a few cases by the National Security Council or the Cabinet; such ad hoc arrangements have not always produced the timely or decisive action required by the seriousness or urgency of the problems encountered.

D. This problem may well go beyond the need for better coordination of existing responsibility of the Government agency concerned, and may involve questions as to whether certain foreign economic functions are now properly assigned.

III. RECOMMENDATIONS

A. Appraisal Urgently Needed

An appraisal of the high-level relationships here and abroad which have a bearing upon the formulation of foreign economic policy as well as the suitability of existing machinery for implementing such policy is urgently needed.

IV. ACTION APPROVED BY PRESIDENT

A. Study Requested

The President has requested the Advisory Committee on Government Organization and the Director of the Bureau of the Budget jointly to make a study of the adequacy of Executive Branch organization for the development and coordination of foreign economic policy. (See the President's letter - attached).

B. High Priority; Top-Level Direction

The President attaches a high priority to this study and has indicated that he will assist in obtaining a top-notch individual thoroughly familiar with this problem to give full-time, top-level direction. This individual will be provided such special staff as is necessary to supplement the staff resources of the Bureau of the Budget and the President's Advisory Committee.

C. Consultant with Key Officials

At an early stage there will be need for consultation with Members of the Cabinet and other Government officials concerned.

V. TIMING AND PUBLICITY

There should be no publicity or discussion of this study for the time being, pending a White House decision regarding the manner and timing of announcing the project.

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT ORGANIZATION

July 15, 1954

Mr. Max Rabb

Per our conversation, the attached is for your information

Arthur A. Kimball
 af

EXECUTIVE OFFICE OF THE PRESIDENT
PRESIDENT'S ADVISORY COMMITTEE ON GOVERNMENT ORGANIZATION
WASHINGTON 25, D. C.

July 15, 1954

MEMORANDUM FOR:

Governor Adams
The White House

SUBJECT: Study of Organization for the Development and Coordination of Foreign Economic Policy.

This morning you requested that I ask Dr. Flemming to get in touch with former President Hoover to acquaint him with this study which the President has approved and to assure that Mr. Hoover understands the need for this special study apart from the work of the Task Force on Overseas Economic Operations being organized in the Hoover Commission.

Dr. Flemming will do this, but he pointed out that Mr. Hoover is presently in California. Rather than call Mr. Hoover by phone, which involves contending with Mr. Hoover's hearing difficulties, he thought it best to rush off an airmail special delivery letter to the former President, which he is dispatching this afternoon. Inasmuch as it is contemplated that this project will not receive publicity at this time, he felt that the delay which would be involved by using this form of communication would present no problem.

Dr. Flemming suggested that if this question comes up at Cabinet tomorrow, it can be pointed out that coordination with Mr. Hoover is now being arranged.

Arthur A. Kimball
Staff Director

Report on Action
Taken ~~on~~ by Defe/
Mobilizat Bd
on Manganese
(Dr. Flemming)

hot: turn down on that

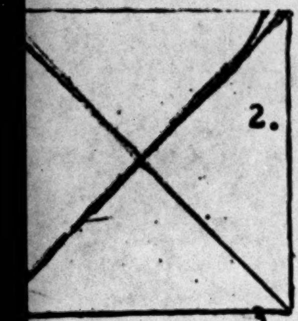
The President

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, July 23, 1954

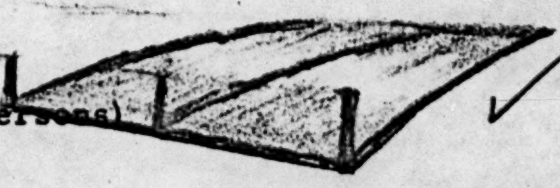
1. Appropriations for F. O. A. for Southeast Asia. (The President)



2. Preliminary Discussion of the 1956 Budget. (The Director, Bureau of the Budget)

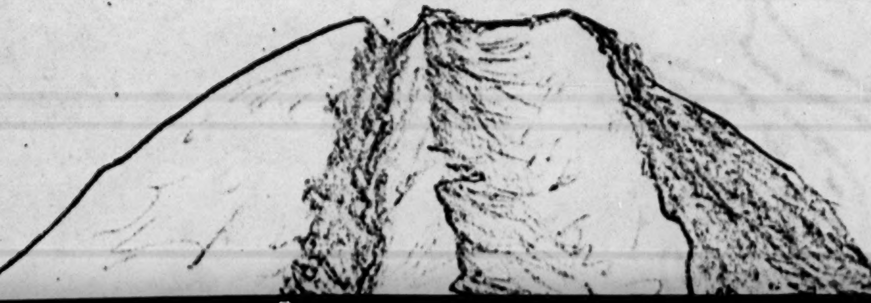
3. The Nation's Economy at Mid-year. (Dr. Arthur Burns)

4. The Government and Red Unions. (The Secretary of Labor)



5. Legislative Round-up. (General Persons)

6. Representation at World Poultry Congress. (The Secretary of Agriculture)



~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

July 23, 1954

8:30 A.M. to 10:30 A.M.

The following were present:

President Eisenhower

Sec. Dulles
Sec. Humphrey
Sec. Wilson
Deputy Atty. Gen. Rogers
(for Mr. Brownell)
Mr. Summerfield
Under Sec. of Interior Tudor
(for Sec. McKay)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby
Director Hughes and
Deputy Director Brundage
Gov. Stassen

Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Rabb
Gen. Cutler
Dr. Hauge
Mr. Morgan
Mr. Harlow
Mr. Gruenther
Mr. Chesney
Mr. Minnich

Appropriations for FOA for Southeast Asia - The President expressed his hope that any Cabinet members concerned with Southeast Asia would give assistance in securing approval for the FOA appropriation for that area. He noted that he had talked with Sen. Dirksen who believed some Senators would attempt to economize here on the grounds that the shooting was over.

Alien Property - The President noted briefly the bill pending in the Senate which he hoped would be passed since he had found a consensus of opinion in the Administration that the Government should get out of the business of administering Alien Property.

1956 Budget - Director Hughes gave a briefing on the budget picture for future years, assuming expenditures only for programs already approved by Congress and receipts as estimated by Treasury and CEA. He presented a chart which gave detailed figures amounting to an anticipated deficit of $4.8 billion for 1955, $2.2 billion for 1956, and a surplus of $.7 billion for 1957. He stressed that it would be necessary in order to achieve these goals to continue the direction of economizing without change.

The President cited his directive of the preceding day to the effect that there should be no more reduction of military programs, and Mr. Hughes assured him that such reductions were not anticipated.

Mr. Hughes then warned that the deficit might easily be increased by as much as $5 or $6 billion if the agricultural surplus problem increased

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

seriously or if Congress failed to hold the line against "easy expenditures".

Mr. Hughes indicated that the 1956 budget letters had been dispatched to the departments and agencies, that it would be necessary for department heads to take a personal interest in holding the line against pressures for greater spending, and that the stated ceilings were, of course, no more than Budget's best estimates. The letters were not to be regarded as definitive in regard to matters of particular importance or emergencies.

The President elaborated on the many Defense programs which had to be carried through, the great care taken in determining what the minimum program should be, and the impossibility of safely reducing minimums any further. He allowed that certain privileged areas, such as military schools, still existed within the Defense Department on which further economies could be achieved. (Also see below under Legislative Round-Up.)

National Economic Situation - In reporting on the state of the Nation's economy at mid-year, Dr. Burns stressed that the decline in economic activity had definitely come to an end. He cited numerous indices which showed that the economy was stabilized. In comparing them with previous years, the indices were at levels equal or nearly equal to those of 1953 and in almost every case surpassed those of 1952.

Dr. Burns noted the tremendous accomplishment of passing from a war economy to a peace economy with major cuts in Defense programs but without serious disturbance of economic levels. On the other hand, however, he pointed to the fact that the standards by which economists judge the state of the Nation had been raised considerably during recent years, as for instance the present concern with an unemployment figure not far above three million, whereas in the 1930's three million was regarded as a minimum for unemployment.

With a view to the future, Dr. Burns saw such favorable factors as the recent increases in consumer spending, construction contracts, and new housing starts; on the unfavorable side were such matters as agricultural prices, agricultural equipment cutbacks, and the continuing decline of military spending. He estimated that the economic recovery would not retrace the pattern of the wartime boom, that there would be difficult readjustments required in certain areas, that there would be stubborn pockets of unemployment, and that world economic recovery would necessitate still other adjustments.

The Cabinet then discussed the various opportunities for presenting this material to the public. Emphasis was placed on the desirability of comparing 1954 with the Democratic year 1952 as well as the Republican year 1953.

The Government and Red Unions - Sec. Mitchell called attention to the allegation that the Department of Labor was not providing equal treatment to the so-called Red unions and the non-Red unions. He wanted to make clear that it is not a matter of equal or unequal treatment; instead, that his Department completely ignored the Red unions, and he suggested that other Departments might wish to do likewise.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

He indicated that his Department would stand ready to advise in this respect.

The President asked Governor Adams to make certain that the White House was kept advised with regard to such unions and indeed any sort of Communist organization or individuals, for the number of messages, statements, etc., sent from the White House provided many opportunities for a lapse. He also requested Mr. Rogers to have the Justice Department volunteer information of this sort to the White House without awaiting requests for advice.

Processing of Legislation - The President expressed his hope that some manner of handling immigration and other private bills could be developed to ensure careful consideration of them, for his signature was required on so many that he could give little attention to any single one. He believed that Congress also had insufficient time for studying them and that it would be desirable to have the action taken at a level where the cases could be properly studied.

In connection with this discussion, General Persons inquired whether the Department of Justice could delay its requests for immediate Congressional action on a great number of immigration bills. Mr. Rogers pointed out that delay on such bills had become something of a racket in order to prevent deportation of the individual concerned but that a satisfactory compromise was being worked out with Congressional leaders so that action can be taken on the most essential cases.

Legislative Round-Up - General Persons briefly assessed the prospects for action on the items listed on the legislative charts. He indicated that Sen. Knowland was reconciled to continuing the session beyond July 31st, even though the pay raise situation seemed to make it desirable to adjourn certainly before August 9th.

In connection with comments on military legislation, Sec. Wilson cited the failure to extend income tax change privileges to military retirement pay, and the President commented that he hoped a package bill for the military could be introduced on the first day of the next session.

Following Sec. Dulles' comments that the failure to include in the tax revision bill certain recommendations concerning foreign investments would be harmful at the Rio de Janeiro Conference, Gov. Stassen pointed out that a few provisions were included which could be cited to good advantage at the Conference.

In discussing appropriations, Sec. Humphrey recalled the Budget presentation and the necessity for additional "hard decisions" in order to assure a sound economy next year. He stated that the strong economy described by Dr. Burns earlier in the meeting had resulted from the sound decisions made by the Administration a year before. The President immediately repeated his strong conviction that national security required an end to military reductions.

The President also indicated that certain new programs of great intrinsic value would be desirable even in the face of an economy program. He cited specifically the Highway Program, where the Administration would have to participate if only on a small scale.

The President again noted the pressures on Congress for greater expenditures during an election year. He suggested that the Cabinet give careful thought

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

to the possibility of having the Administration recommend a Constitutional Amendment to extend the term of Representatives to four years so that they would be up for re-election only in Presidential election years.

With further regard to reductions, Sec. Humphrey commented on the fact that Federal employee levels had been reduced by only 25,000 people in areas other than the military. Chairman Young added that Federal employment had been reduced 15% in the military and only 3% elsewhere. Sec. Dulles cited a 20% reduction in State and Sec. Weeks cited a similar large reduction in Commerce.

World Poultry Congress - Sec. Benson raised the problem which had been created by the British invitation to Communist China to participate in the World Poultry Congress after the United States had given its acceptance. He desired the advice of the Cabinet as to whether the Department should participate.

The President, Sec. Dulles, and Amb. Lodge all suggested that any incidents and unfavorable public opinion might be avoided if the American participants in the Congress were extremely careful in any contacts they might have with Chinese delegates.

Sec. Weeks noted the ever-increasing participation by Communist countries in trade conferences and he stated that the United States was lagging far behind in this respect. Amb. Lodge and Sec. Dulles confirmed this view. The President commented on the difficulty created for the United States Information Program by virtue of the heavy Congressional reduction of the USIA appropriation. He suggested that he might ask the Congress to authorize some special funds for himself for special projects to replace the USIA reduction, and he asked Sec. Weeks to prepare immediately a summary of the opinions and comments of interested departments.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

July 29, 1954

Confidential

MEMORANDUM FOR GOVERNOR ADAMS

FROM: Max Rabb

When Arthur Burns made his presentation of the mid-year economic situation at the Cabinet meeting last Friday, July 23, it was the general concensus of opinion that this matter should be implemented. Ambassador Lodge has suggested the following approach with reference to the distribution of the ideas and facts which Dr. Burns produced at that time:

(1) Get Bernard Baruch to leak some of these facts to the press and thus to point out that the United States is on the verge of greater prosperity. He would be an ideal man to do this because he is an elder statesman, is accepted by the American people as a sound man in the economic field, and is a Democrat.

(2) There should be a speech by a Senator, using part of the Burns material. Senator Knowland would be a good choice. It would be even better if some Democrat like Price Daniel could base remarks on this, as nobody would debate or challenge his figures and it could be used as a campaign document later.

(3) The INS (International News Service) should be used in this particular instance. While the AP and the UP will not take anything that is not strictly factual, a personal talk with Bill Hearst will obtain a very full play in all the Hearst papers.

(4) These facts should be worked into some statement by the President to be handled in a press conference, but preferably in a TV show, though not the one which deals with the accomplishments of Congress.

(5) Long after the above steps are taken, the material could be sent to the Republican National Committee to be used in their own way.

This kind of an attack, Cabot Lodge thinks, would cause a great loss of inner confidence on the part of Democrats.

July 23, 1954

Honorable Sherman Adams
The Assistant to the President
The White House
Washington, D. C.

Dear Governor:

In line with the discussion at the Cabinet meeting this morning, I am enclosing the following information which may be helpful to you:

1. List of subversive organizations, being those organizations which have been designated by the Attorney General under Executive Order 10450. Only one organization proposed for designation has not yet been designated, namely the National Lawyers Guild. That case is now in litigation.

2. List of Communist-dominated unions. This list comprises those unions identified by the FBI to the ICIS as being Communist dominated.

3. List of persons registered under the Foreign Agents Registration Act. This consists of the annual report of the Attorney General to the Congress for calendar year 1953, together with a list of those persons who have registered subsequent to that time, namely between January 1 and July 23, 1954.

If the President or you have any questions about any organizations or individuals not referred to in these lists, I would like to suggest that you call Mr. William E. Foley, who is Executive Assistant in the Internal Security Division, and he will be able to supply any information in our possession.

Very truly yours,

(original & enclosures in central files)

William P. Rogers
Deputy Attorney General

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL   July 23, 1954

TO: Mrs. Whitman   Please destroy when no longer used.

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

FOA Appropriation for Southeast Asia - The President urged all Cabinet members to bring their influence to bear in support of this appropriation item wherever an opportunity is presented.

1956 Budget Outlook - Director Hughes and Secretary Humphrey stressed the need for continued watchfulness on expenditures in order to maintain the movement towards a balanced budget.

Mid-Year Economic Situation - Maximum public dissemination will be made during coming months of the material presented at this meeting by Dr. Burns.

Government and Red Unions - Cabinet members were urged to examine closely any such matters as conference invitations or affording of facilities to Communist-led unions, which might otherwise be extended routinely.

World Poultry Congress - It was agreed that the Department of Agriculture would designate representatives for this Congress and that appropriate advice would be afforded the representatives in connection with the participation of the Chinese Communist Government.

Funds for Special International Requirements - Secretary Weeks will prepare for use at the Legislative Conference Monday morning a summary memorandum of the requirements of government agencies concerned with international conferences and other such special functions.

Constitutional Amendment - Cabinet members were requested to examine -- for possible subsequent Cabinet consideration -- the merits and feasibility of an amendment to provide a four year term for members of the House of Representatives.

Sincerely,

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL

July 23, 1954

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Exempt
Glen
[illegible]
Info

FOA Appropriation for Southeast Asia - The President urged all Cabinet members to bring their influence to bear in support of this appropriation item wherever an opportunity is presented.

1956 Budget Outlook - Director Hughes and Secretary Humphrey stressed the need for continued watchfulness on expenditures in order to maintain the movement towards a balanced budget.

Mid-Year Economic Situation - Maximum public dissemination will be made during coming months of the material presented at this meeting by Dr. Burns.

Exempt
WER
Tom M
Info

Government and Red Unions - Cabinet members were urged to examine closely any such matters as conference invitations or affording of facilities to Communist-led unions, which might otherwise be extended routinely.

World Poultry Congress - It was agreed that the Department of Agriculture would designate representatives for this Congress and that appropriate advice would be afforded the representatives in connection with the participation of the Chinese Communist Government.

Funds for Special International Requirements - Secretary Weeks will prepare for use at the Legislative Conference Monday morning a summary memorandum of the requirements of government agencies concerned with international conferences and other such special functions.

Exempt

Constitutional Amendment - Cabinet members were requested to examine -- for possible subsequent Cabinet consideration -- the merits and feasibility of an amendment to provide a four year term for members of the House of Representatives.

WER + BOB matters
Info

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

The Honorable Harold E. Stassen
The Director
Foreign Operations Administration

THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, July 23, 1954

1. Preliminary Discussion of the 1956 Budget.
   (Director, Bureau of the Budget)

2. The Nation's Economy at Mid-year. (Dr. Arthur Burns)

   A summary of the current status of the leading branches of economic activity.

3. The Government and Red Unions. (The Secretary of Labor)

   There are certain unions in the United States that have a Communist tinge. The Secretary of Labor will discuss what the attitude of the Administration should be toward these unions.

4. Legislative Round-up. (General Persons)

5. Representation at World Poultry Congress.
   (The Secretary of Agriculture)

   Explanation of another aspect of Red China being represented in world commodity conferences.

(Another possible item is the one dealing with the divulging of advance information to members of the opposition party and thus permitting them to make announcements of accomplishments first. We have a very flagrant case involving Senator Symington, and General Persons intends to speak with the President as to the advisability of putting this on the agenda.)

Respectfully submitted,

Max Rabb

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

July 30, 1954

MEMORANDUM

To: Max Rabb
From: Arthur F. Burns

The enclosed statement covers some of the remarks that I made at the meeting of the Cabinet on July 23.

Enclosure

The State of the Economy at Mid-Year

1. The paramount fact about the economy at mid-year is that the recent decline in economic activity has come to a halt. For the last six months, the Federal Reserve index of industrial production has moved within an extremely narrow range. At the beginning of the year the index stood at 125 (Average 1947-49 = 100). In March and April the index registered 123; in May and June, 124.

2. In view of this narrow range of fluctuation in total industrial production during the past six months, we may justly take an average of the past six months as indicative of the recent level of economic activity. It then becomes of interest to compare this level with that attained by the economy during the first half of 1953, when our Nation was enjoying the greatest prosperity we have yet known.

3. Making that comparison, we find that industrial production has been running 8.1% lower in 1954 than in 1953. This is a substantial decline. But in forming a judgment about the state of the economy, we must bear in mind that the widely used Federal Reserve index of production covers only manufacturing and mining; that it omits construction, agriculture, transportation, and the great range of personal services; and that the omitted parts are much more important sources of employment than the included parts. It is desirable, therefore, to look at more comprehensive measures or indicators of economic activity.

4. The most significant of these measures are the following:

(a) Gross national product - which expresses the dollar value of the Nation's total output of commodities and services.

(b) Nonagricultural employment (as estimated by the Bureau of Labor Statistics) - which expresses the number of wage and salary workers in business establishments outside of agriculture.

(c) Personal income - which is simply the sum of all individual and family incomes.

(d) Disposable personal income - which is simply the sum of all individual and family incomes minus personal income tax payments.

(e) Bank debits outside New York City - which expresses debits to individual and business bank accounts, and thus measures the flow of money payments in industrial, commercial, and to some degree, financial transactions (New York City debits are omitted because they are dominated by financial transactions).

5. When we now compare the first half of 1954 with the first half of 1953, we obtain the following results:

	Percent change from 1st half of 1953 to 1st half of 1954
Gross national product. . . .	-2.8
Nonagricultural employment. .	-2.7
Personal income	+0.1
Disposable personal income. .	+1.2
Bank debits outside New York City	+0.9

It is fair to conclude from these facts that the recent economic decline, on an over-all basis, has been very small. This conclusion will not be changed if we take account of the increase in population. Thus, while the total disposable personal income increased 1.2%, the disposable personal income per capita declined merely 014% between the first half of 1953 and the first half of 1954.

6. In judging the performance of the American economy during 1954, we have taken the first half of 1953 as the standard. It may help us to see the current state of the economy in better perspective if we go one year further back. The first half of 1952 was not characterized by the same intensity of activity, but it was the best year we had experienced prior to 1953. Therefore, while 1952 does not provide us with as high a standard as 1953, it still constitutes a very high standard.

7. If we now compare the first half of 1954 with first half of 1952, the showing of the rather broad indicators to which we have already referred is as follows:

	Percent change from 1st half of 1952 to 1st half of 1954
Industrial production. . . .	+3.3
Gross national product . . .	+4.3
Nonagricultural employment. .	+1.1
Personal income	+7.1
Disposable personal income. .	+8.6
Per capita disposable income.	+5.1
Bank debits outside New York City	+10.2

Every one of these indicators shows a rise, and some of the increases are not small.

Since 1952 was the best year under Democratic rule, it follows that economic activity of late has been higher than at any time during the Roosevelt or Truman Administrations. And since 1953 was a still better year than 1954 is turning out to be, it follows that the over-all performance of the American economy thus far during the Eisenhower Administration has been better than during any earlier time.

8. Some of the economic indicators used above are expressed in a physical unit, others in a monetary unit. It is well, therefore, to say a word about the price level.

When we compare the first half of 1954 with first half of 1953, we find that the index of wholesale prices is up 0.8% and that the index of consumer prices is up 1.1%. Not only are these increases tiny, but our measures of price movements fail to take account of discounts, concessions, bargain sales, etc., that have been a significant feature of recent markets. If we allow for these developments we can surely say, without the slightest fear of contradiction, that the value of the people's money has remained entirely intact.

This conclusion also holds if we carry comparisons one year further back — that is, if we compare the first half of 1954 with the first half of 1952. On this basis, the index of wholesale prices is down 1.3% and the index of consumer prices is up 1.9%.

9. Let us take note of another fact, namely, that while recent economic activity has been at a high level and the value of the dollar has been stable, the increase in wages — which is one of the principal expressions of the progressiveness of the American economy — has continued.

Average hourly earnings have moved as follows:

	Percent change from the First half of 1952 to first half of 1954	First half of 1953 to first half of 1954
Manufacturing, total.	+9.1	+2.9
Durable.	+9.2	+2.2
Nondurable	+8.5	+4.4
Building construction	+14.6	+6.6
Retail trade.	+10.0	+3.6

10. The above statistics suggest a high — or even an improving — state of economic welfare. An economic historian of an earlier generation, if confronted with facts such as these, would have felt no hesitation in

describing recent times as a period of great prosperity. And if our imaginary historian had stopped to take account of the difficulties of shifting from a war to a quasi-peace economy, with government expenditure on national security dropping nearly one-fifth in a year, he might well have described the last year or two as a time when economic miracles were being wrought.

11. Few of our contemporaries, however, are describing the performance of the American economy in these lyrical terms. The reason is partly that some decline has recently occurred in economic activity, particularly in employment, and that the thinking of many people is geared to the concept of uninterrupted progress. The reason is partly that this rather minor decline has been better advertised than many major declines of our past. The reason is partly that, while the decline has been small on an over-all basis, it has affected seriously some industries, communities, and groups in our society. But the preponderant reason for concern and criticism is that the standards that our generation applies to the performance of an economic system are very different from those that our fathers applied and even from those that we ourselves applied only a few years ago.

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Thursday, July 29, 1954

1. **Report on Current Major Economic Operations.**
   (The Director, Foreign Operations Administration)

2. **Remarks on the Economic Situation. (Dr. Arthur Burns)**
   Estimated time - 5 minutes

3. **Discussion of Requirements of Executive Orders for Congressional Committees to See Internal Revenue Returns.**
   (The Secretary of the Treasury)

4. **Proposal for a Presidential Committee on Energy Supplies and Resources Policy. (The Director, Office of Defense Mobilization)**
   Estimated Time - 5-10 minutes

5. **Report of Recommendations of Defense Mobilization Board on Proposed Third Round Aluminum Expansion Program.**
   (The Director, Office of Defense Mobilization)
   Estimated Time - 5 minutes

6 and 7
Can be omitted if necessary.

6. **Reorganization of the Department of the Interior with Particular Reference to the Bureau of Mines.**
   (The Under Secretary of the Interior)
   Estimated time - 10-15 minutes

7. **Escape Clause Proceedings Under the Trade Agreements Act.**
   (Governor Adams)
   Estimated time - 10-15 minutes

8. **Legislative Round-up. (General Persons)**
   Estimated time - 15 minutes

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

July 29, 1954

11:15 A. M. to 12:40 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Wilson
Sec. Humphrey
Attorney General Brownell
Postmaster General Summerfield
Under Sec. of Interior Tudor
(for Sec. McKay)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Shanley
Dr. Hauge
Mr. Morgan
Mr. Martin
Gen. Cutler
Mr. Rabb

Current Major Economic Operations - Gov. Stassen reported briefly on the action already taken to strengthen the national economy through rapid allotment of public roads funds, reduction of taxes, lower interest rates, Defense textile contracts for new uniforms, etc. He outlined as special targets for action in August Navy ship construction, Army ordnance procurement, machine tools - especially Defense Department, State implementation of the roads program, Export-Import loan liberalization, export of coal to overseas bases, and surplus disposal. He indicated that the decline in interest rates already evident in financial centers has still to spread to outlying regions.

Danube Flood -The President called the Cabinet's attention to the proposed action for offering assistance through food supplies to those countries affected by the Danube flood even though behind the Iron Curtain. He noted the legal authority for doing so and the impact of such an offer on relations vis-a-vis unfriendly countries.

Economic Situation - Dr. Burns had no significant changes to report but merely indicated that the employment figures for July would be as expected and that reduction of inventories continued in June. He expressed some disappointment at the failure of new orders to increase during June to a level equal with sales. The President and Secs. Humphrey, Wilson and Dulles commented on the relationship of supply, orders, and prospects regarding inflation.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-4-76

Internal Revenue Returns - Sec. Humphrey reviewed current policy of allowing Congressional Committee Chairmen or their representatives to consult tax returns. He expressed the desire to limit availability of the returns to situations where a majority of any Committee requested permission to consult them. Director Hughes foresaw some danger that such a change would make the records available to all members of a Committee instead of just the Chairman, but Secretary Humphrey believed material presently was made available by the Chairman to others on a Committee.

It was agreed that Gen. Persons should take up the matter with Senator Ferguson and other legislative leaders and attempt to secure agreement on some restriction of availability, to be effective at the beginning of the next session.

Sec. Humphrey noted the existing requirement that a Committee Chairman must indicate that the purpose of consulting records is germane to any Committee investigation under way, and he recounted some details of the Struve Hensel matter. Following Sec. Wilson's mention of the Surine clearance and his comment on the difficulties of clearing people for Congressional purposes, the President stated his belief that the FBI should not service purely Congressional clearances, that the Attorney General might properly give advice on types of evidence, but that Congress should have its own clearance machinery. Sec. Wilson and the President both noted the importance of limiting entrance to highly secret research laboratories.

U.S. Energy Supplies and Resources Policy - Director Flemming presented a memorandum proposing a Presidential Committee on Energy Supplies and Resources Policy, and indicated that this had been discussed previously with the President. Sec. Humphrey strongly seconded the proposal and cited the major problems besetting all "energy" industries, unemployment problems, and the forthcoming Iranian oil settlement. He urged early announcement of the project should it be approved.

The President wished to call attention to the two recurring problems of (1) selecting the proper people for such committees since too frequently individuals selected for their reputation on a given subject were unable to devote sufficient time to produce results, and (2) the need for all Committee members to assist the Chairman agency financially and administratively in providing staff, task forces, etc.

The Attorney General queried whether the Committee would study matters involving judiciary decisions concerning petroleum. On receiving an affirmative answer from Sec. Humphrey, he cautioned against involving the President in such matters at this time, as would be the case should this Committee be established. Sec. Humphrey emphasized the need for clarifying a situation causing great difficulty to business operations by virtue of existing confusion. It was agreed that the proposed mission of the Committee should be modified to avoid any expressed commitment for studying legislative regulation.

Gov. Adams pointed to the forthcoming study to be made by FTC Chairman Howrey and the study group in respect to a possible legislative study of trade regulation. The Governor suggested that this group might be coordinated with the Committee proposed by Dr. Flemming. The President

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 4-6-77

~~CONFIDENTIAL~~

believed any committee, in order to fulfill its task, would have to look at the entire picture of which regulation was necessarily a part.

The Attorney General suggested the possibility of making this an ODM committee instead of a Presidential committee. Sec. Humphrey believed it would not in that capacity have prestige commensurate with the importance of the problems.

Gov. Stassen suggested that any non-Cabinet participants have advisory status only, since Cabinet members have fixed responsibilities, and it appeared poor administrative procedure to mix the two groups. It was agreed that it should be a Cabinet Committee with advisory functions only for non-Cabinet participants.

Sec. Dulles expressed serious concern over the coincidence of the appointment of this Committee with the Iranian oil settlement because of the implication that the Committee was being designed to stave off an influx of Iranian oil. He hoped that special effort would be made to keep this Committee from foreshadowing import quotas, higher tariffs, etc. He believed that such implications would create panic in South America and that coming after the Swiss watch case it would indicate a protective trend in this Administration. He believed it more desirable to forego the Iranian settlement than to run the risk of losing South American good will.

He stressed the difficulty of attempting to operate a foreign policy on the basis of a given policy when many indications exist that the Administration favors a different one. Sec. Humphrey believed the problem would be avoided if announcement of this Committee were made quickly. The President commented that the Administration had to face these problems sooner or later, but emphasized that he was determined not to be a party to the creation of a steel wall of tariffs around the United States. Dr. Flemming reassured the Cabinet with the announcement that the Committee need not foreshadow higher tariffs or import quotas.

Dr. Flemming called attention to the pressures exerted following the creation of the Soft Coal Committee for having other similar committees created. He indicated that the Soft Coal Committee would have to be tied in very closely with the overall Energy Committee. It was agreed that Dr. Flemming would revise the basic memorandum for the Committee to insure that it would not be directed toward any specific cases and that he would secure the Secretary of State's agreement to whatever revision was necessary.

Third Round Aluminum Expansion Program - Dr. Flemming distributed a memorandum setting forth the questions raised by a proposed third round expansion of the aluminum program. He indicated that Sen. Capehart's Joint Committee believed the third round necessary but that, for the reasons stated in the memorandum, the Defense Mobilization Board believed it unnecessary. He desired an indication of the Cabinet's desires before undertaking to persuade the Joint Committee. He emphasized that the availability of aluminum was increasing steadily and that the third round program could cause the Government to be committed to unneeded quantities or could create an over-supply of aluminum in the country. He cited the assistance which would be forthcoming to coal production in Illinois and Ohio as a major argument for the third round expansion, as also the argument that the United States could not depend on Canada for aluminum supply.

~~CONFIDENTIAL~~

ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-4-76

Secretaries Humphrey and Wilson recommended against the expansion program, the latter citing the fact that in case of an all-out war the proposed set-aside for civilian use could be sharply reduced, particularly since the pending set-aside surpasses the quantity normally used in peacetime five years ago.

It was agreed that the Administration would stand on the Defense Mobilization Board recommendation.

Congressional Situation - General Persons gave a brief resume of expectations concerning adjournment, emphasizing the probable delay to result from the Flanders Resolution. In regard to the Resolution, the President commented that he had never believed a mere Resolution of Censure lacking specifications was in order but that certain situations developed where an individual finally believed he must speak out without regard to any practical problems involved.

The Postmaster General warned that should adjournment be delayed beyond the 9th of August, there would be a furor over the postal-wage increase proposal.

Sec. Weeks requested General Persons to press for approval of proposed legislation concerning flammable fabrics, a measure which would also be of help to the Japanese trade situation. General Persons agreed to look into the situation.

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

5

July 29, 1954

PERSONAL AND CONFIDENTIAL

Dear Governor Stassen:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Internal Revenue Returns - The proposed modification of policy regarding the availability to Congressional Committees of Internal Revenue returns will be discussed by White House Staff members with appropriate Congressional leaders. Such modification as may be agreed upon would become effective at the beginning of the next session of Congress.

U.S. Energy Supplies and Resources Policy - The Cabinet approved the formation of a Cabinet Committee on Energy Supplies and Resources Policy, consisting of the Departments of State, Defense, Justice, Interior, Commerce, Labor and the Office of Defense Mobilization, with the understanding that non-Cabinet participants should serve in an advisory capacity.

The President stressed the need for full cooperation by all members of Cabinet Committees in providing necessary staff, facilities and funds.

Aluminum Expansion Program - The Cabinet approved the recommendation of the Defense Mobilization Board, as presented by Dr. Flemming, against adoption of the proposed third-round aluminum expansion program.

Sincerely,

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

The Honorable Harold E. Stassen
The Director
Foreign Operations Administration

TENTATIVE AGENDA FOR THE CABINET MEETING

Thursday, July 29, 1954

1. Report on Current Major Economic Operations.
(The Director, Foreign Operations Administration)

A report on a number of significant actions that have been taken during July by departments and agencies of the government, and other actions pending for early consideration which will affect in a significant way the levels of employment and business in the next six to nine months.

2. Remarks on the Economic Situation. (Dr. Arthur Burns)

3. Discussion of Requirements of Executive Orders for Congressional Committees to See Internal Revenue Returns.
(The Secretary of the Treasury)

There is some feeling that this subject merits careful study and discussion at this time.

4. Proposal for a Presidential Committee on Energy Supplies and Resources Policy. (The Director, Office of Defense Mobilization)

5. Report of Recommendations of Defense Mobilization Board on Proposed Third Round Aluminum Expansion Program.
(The Director, Office of Defense Mobilization)

6. Reorganization of the Department of the Interior with Particular Reference to the Bureau of Mines.
(The Under Secretary of the Interior)

This item is of particular interest at this time because of some critical comment which has developed in the press about this program. The Department of the Interior is proud of this program. It considers it a very effective plan and feels that it may be of general interest to know just how effective a plan it is.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING

7. **Escape Clause Proceedings Under the Trade Agreements Act.**
(Governor Adams)

Summary analysis of cases arising under the escape clause provision of the Trade Agreements Act.

8. **Legislative Round-up. (General Persons)**

CABINET, July 29, 1954

MAJOR ECONOMIC OPERATIONS OF ADMINISTRATION AFFECTING LEVEL OF EMPLOYMENT AND BUSINESS

JUNE - JULY RESULTS

1. Public Roads allotments
2. New tax law
3. Interest rates reduced - credit availability
4. "Piggy back" railroad order
5. Dollar Exports
6. New uniform textile orders
7. Accelerated Defense contracting
8. Swiss watch proclamation
9. Veter ans housing facilitated
10. Industrial labor peace maintained. Steel etc.
11. Additional Pipe line approval

August Targets

1. Ships - Tankers - Carrier
2. Army Ordnance
3. Machine Tools
4. Follow through with States on Public Roads
5. New Housing Bill Implementation
6. Dollar Exports
7. Export-Import Bank Loans
8. Coal - Export
9. Public Construction
10. Inland Interest Rates
11. Locomotives and Railway Cars
12. Agricultural Surplus Disposal

(This memorandum to be used as a basis for discussion at Cabinet Meeting)

UNCLASSIFIED

U. S. ENERGY SUPPLIES AND RESOURCES

The defense of the nation in wartime and the continued expansion of the United States economy in peacetime require an abundant supply of energy. The industrial progress of the United States has been marked by rapidly increasing annual and per capita utilization of energy resources. Another global war would require great quantities of energy in all forms. ~~and, in particular, the liquid fuels.~~

Accordingly, the Government should make a review of factors affecting the requirements and supplies of the major sources of energy including:

Coal (anthracite, bituminous, and lignite, as well as coke, coal tars, and synthetic liquid fuels)
Petroleum and natural gas

It is suggested that a Presidential Committee on Energy Supplies and Resources Policy be established, composed of the heads of the following agencies:

Department of Defense
Department of the Interior
Department of Commerce
Department of Labor
Office of Defense Mobilization - Chairman

In addition, it is suggested that the President appoint four public members to the Committee - two Republicans and two Democrats.

It is recommended that the Committee undertake a study to evaluate all factors, including regulation, pertaining to the continued development of energy supplies and resources and fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.

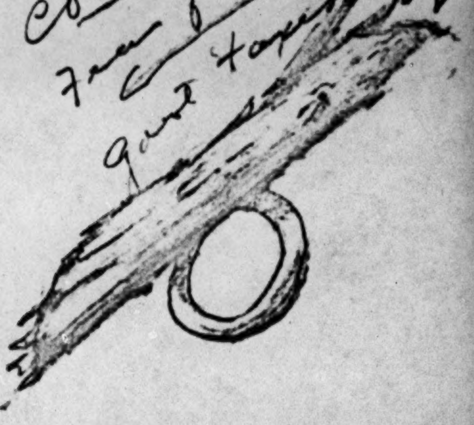
It is recommended that the Chairman of the Committee, after consultation with the members of the Committee, appoint from outside of the Government experts in each one of the areas to be studied to serve, under his direction, as members of a task force or forces.

The Committee should submit, not later than December 1, 1954, appropriate recommendations, indicating actions that can be taken under existing legislation, as well as other actions for which additional enabling legislation may be required.

DECLASSIFIED
Authority NLE MR 77-117 #5
By LKB NLE Date 8/5/77

UNCLASSIFIED

Commies
Farm [illegible]
C
Govt [illegible]



THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, August 6, 1954

1. **Multilateral Tariff Negotiations with Japan.**
(The Secretary of State, Assistant Secretary of Commerce Anderson) ✓

2. **Escape Clause Proceedings Under the Trade Agreements Act.** **(Dr. Gabriel Hauge)**

3. **Report on the Debt Limit.**
(The Secretary of the Treasury) ✓

4. **Remarks on the Economic Situation.** **(Dr. Arthur Burns)** ✓

5. **Remarks Relative to the Emergency Immigration Act.**
(The Secretary of State)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By [illegible] NLE, Date 4-12-77

MINUTES OF CABINET MEETING

August 6, 1954

10:00 A. M. to 12:00 Noon

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Deputy Sec. Robert Anderson
  (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Under Sec. Tudor
  (for Sec. McKay)
Sec. Benson
Sec. Weeks, and
  Asst. Sec. Samuel Anderson
  with two assistants
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Gov. Stassen
Amb. Lodge
Dr. Burns
Mr. Jacoby

Gen. Persons
Mr. Shanley
Mr. Rabb
Mr. Morgan
Mr. Harlow
Dr. Hauge
Gen. Cutler
Mr. Minnich

The President opened the discussion, after a brief silent prayer, with a suggestion that the Cabinet might meet for lunch once a month without having an agenda. Such a meeting would be for the purposes of general open discussion unless any member had an urgent item of business, which could be attended to formally.

* * *

Japanese Trade - Sec. Dulles introduced lengthy consideration of the need for negotiating international trade agreements favoring Japan, with a review of the importance of Japan to the free world, Communist efforts to win over Japan by economic proposals, and the extremely dangerous current economic position of that country. He indicated that there was little future for Japanese products in the United States, and that the solution lay in developing markets for Japan in presently underdeveloped areas such as Southeast Asia. Since such development is necessarily long-term, interim measures would be needed. He then cited the major responsibility held by the United States as a result of past events and the need for the entire Administration rather than just the State Department to effect a workable program.

The President commented that no single action would solve the Japanese economic problem but that a variety of approaches must be made. He suggested that it was an absolute fallacy to say that there should be no East-West trade. Instead, some Japanese trade with her Communist neighbors might be encouraged and would set up influences behind the iron curtain detrimental to Communism. Such trade, of course, would

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BHC NLE, Date 4-12-79

have to be closely watched.

The Attorney General inquired as to our policy concerning Japanese armed forces. Mr. Dulles indicated that they were being increased now that the security agreements had been signed and that some of our own divisions presently in Japan could be redeployed. The President immediately noted that redeployment would increase the economic problem since it would take dollars out of Japan.

Assistant Secretary Anderson of Commerce explained a series of charts highlighting the Japanese economic problems. They included statistics concerning size and density of population, insufficiency of food production, comparisons of foreign trade pre-1940 and now and in terms of geographic areas of the world, types of imports and exports, trade deficit and the foreign exchange situation. He then proceeded to indicate that a solution of the problem depended upon greater austerity within Japan by returning to the mid-1930's standard of living, increasing exports through participation in GATT (General Agreement on Tariff and Trade), a larger shipping program, modernization of industry and elimination of certain unfair trade practices. It would also require U.S. effort with regard to including Japan in GATT, giving a maximum of economic and military aid, making grants or loans of agricultural surpluses for local currency, and accomplishing an interim GARIOA (Government and Relief in Occupied Areas) settlement. Finally, other nations in the free world would have to participate by increasing their imports of Japanese goods and limiting their reparations demands.

The President then emphasized the need for making the attack on this problem on a broad front, and he asked all Cabinet members to review this material for the purpose of contributing new ideas and also the urgency of working this subject into their public addresses. He indicated the controversy which would arise in connection with foreign economic policy legislation in the coming year and stressed that to bar all competitive products would result, in the long run, in the disaster of war.

Sec. Weeks stated his understanding of the problem and points of view expressed but wanted to call attention to the drastic differential in wage scales. He urged that Japan if taken into GATT should be subject to the customary peril point and escape clauses. He preferred an examination of alternative methods such as military aid, quotas, etc. The President commented that he desired such ideas to be expressed and then went on to warn that Japan had to make its already low wages even lower -- and that if forced too far, Japan would become ripe for Communism. Gov. Stassen pointed to the need for distributing action over many fields as his FOA mission to Japan was already attempting. He stated that U.S. exports to Japan would suffer if the Japanese cannot export their own products, and he singled out the trade relationship involving Southern purchases of New England products with money derived from the sale of cotton to Japan. Sec. Humphrey believed the emphasis should be put on spreading Japanese exports throughout the world rather than having the U.S. carry the burden of buying Japanese goods. He emphasized unemployment within the U.S. and the dislocation caused by Japanese products such as electrical equipment.

The President agreed and again stated that the U.S. must prevent the development of a situation in Japan which would result in a Communist take-over.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DWC NLE, Date 4-12-77

In a discussion of the timing of the GATT negotiations, Sec. Dulles described the elaborate procedures and the need for giving notice of intent by September 1st in order to allow a Presidential proclamation of the results by the middle of June. Sec. Weeks asked if the declaration of intent could be postponed until November 1st. Messrs. Dulles and Anderson agreed that it could not.

Sec. Dulles concluded the discussion by placing emphasis on the importance of public addresses and he requested Mr. Hagerty to distribute to the Cabinet pertinent addresses made by the President. He believed it quite possible to sell the necessary program to the American people, particularly since the President and he had successfully convinced the Ways and Means Committee of the need for several similar essential items.

"Escape" Clause Experience - Dr. Hauge referred to the recent discussion concerning the escape clause which had resulted from the Swiss watch case, and he recounted the history of the introduction of the escape clause as having been used first in its present form in 1943, then incorporated at the direction of President Truman in all Reciprocal Trade Agreements from 1947 on, and then written into the Reciprocal Trade Agreements Act by Congress in 1951. He noted that only 13 out of 45 cases heard by the Tariff Commission had been forwarded to the President for decision and that of the 13 the President had accepted 5 in whole or in part, rejected 5, and deferred action on the others. He reviewed the cases in detail.

In conclusion he pointed to the intent of Congress to have an escape clause in order to allow increased world trade without damage to the national economy, and he cited the differences of opinion which exist as to the definition of the term "industry". He suggested that the President by his handling of specific cases had laid out a doctrine of "clear showing" as being necessary before he would invoke the escape clause. He described the dilemma of the danger of adverse Congressional action should the President apply a rigorous interpretation and the alternative danger of a flood of applications for changes if the President were too relaxed.

(The President left the meeting at this point.)

Sec. Humphrey asserted that 1954 was the first year since the beginning of operation of reciprocal trade practices in which there had been a competitive world economy. He expected the situation to become much more acute and concern more important items as competition within our own country increases. He cited the beginning of imports of steel from Belgium at the present time. Sec. Dulles then emphasized the damage done to American exports by restriction of foreign imports. Sec. Humphrey agreed on the delicate balance that had to be maintained. Mr. Stassen believed the solution of the entire problem lay in increasing standards of living throughout the world.

(The President returned to the meeting.)

Debt Limit - Sec. Humphrey informed the Cabinet that a solution, with which the Administration could live, to the debt limit problem had been reached by the $6 billion temporary increase. The President commented on the responsibility of Congress to allow effective functioning of the Government and he stated his weariness with this problem which resulted from the deficit budgets inherited by this Administration.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By [illegible] NLE, Date 4-12-77

Economic Situation - In his review of the national economy, Dr. Burns pointed to slight improvements in many phases of the economy, particularly in regard to the construction industry and the financial situation. He noted a slight decline in imports while exports continued to increase, showing the strength given to the American economy by the strong position of countries overseas.

Emergency Immigration Program - Sec. Dulles requested the President to write the State Governors to enlist their aid in dramatizing the Emergency Immigration Program, and he left a draft letter with Mr. Rabb.

Commemorative Stamps - The Postmaster General set forth the suggestion he had received for a commemorative stamp honoring Sen. Taft, to be issued one year after his death. He stated that such commemoratives usually had been limited to Presidents or Secretaries of State. The President stated that at first glance he felt it might very well be done, particularly since an earlier Administration had not hesitated to act in the opposite direction by renaming Hoover Dam. He noted the irony of the fact that many extreme conservatives attempt to appear as champions of Sen. Taft's memory, when the Senator had taken a liberal approach to very many things.

Sec. Dulles personally favored the proposal but felt that an unfavorable political reaction might result. He suggested that several commemoratives including one of Sen. Vandenberg be issued at the appropriate time. Sec. Weeks felt that the project was not sufficiently urgent to chance doing it at present. The matter was left to Mr. Summerfield's further consideration.

Legislative Program - Gov. Stassen asked the particular help of Cabinet members during the coming week when many critical FOA measures would be up for Congressional action. Sec. Benson made a similar request in regard to the Farm Bill. The President suggested that Messrs. Benson and Stassen inform the Cabinet members as to where they might use their influence most effectively.

Cabinet Schedule - Sec. Weeks suggested that Cabinet meetings during October be held on Wednesdays. The President indicated that there was no essential reason for holding the meetings on Friday.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

August 6, 1954

PERSONAL AND CONFIDENTIAL

TO: Mrs. Whitman   Please destroy when no longer used.

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Japanese Economic Situation - The President called on all Cabinet members to give complete support to development of a well-rounded and world-wide solution of the Japanese foreign trade problem. He urged also that every opportunity be utilized for acquainting the people of the United States with this critical problem. Mr. Hagerty will provide Cabinet members with copies of recent statements by the President on this subject, and other suggested remarks can be cleared with the Department of State.

Multilateral tariff negotiations with Japan will be carried on as indicated in the schedule presented by Secretary Dulles.

Issuance of Commemorative Stamps - The Postmaster General will give further consideration to the desirability of developing a program for honoring prominent former members of the United States Senate.

Sincerely,

Maxwell M. Rabb
Secretary to the Cabinet

Additional paragraph as follows:

State
Justice
Budget
(only)

Emergency Immigration Program - The President will undertake to enlist the support of the Governors of the states for this purpose.

THE WHITE HOUSE
WASHINGTON

September 17, 1954

MEMORANDUM FOR: Mr. Rabb

This is another item that will interest you. It came up at Cabinet meeting August 6th.

> The President opened the discussion with a suggestion that the Cabinet might meet for lunch once a month without having an agenda. Such a meeting would be for the purpose of general open discussion unless any member had an urgent item of business, which could be attended to formally.

Minnich

TENTATIVE AGENDA FOR THE CABINET MEETING

Friday, August 6, 1954

1. Japanese Tariff Negotiations.

The most imminent and important issue of U. S. international economic policy is action on the negotiations for tariff adjustments with Japan. Far-reaching issues of national security as well as economic policy are involved, and from this will probably develop the need for multilateral action with other nations of the Free World.

2. Escape Clause Proceedings Under the Trade Agreements Act. (Governor Adams)

Summary analysis of cases arising under the escape clause provision of the Trade Agreements Act. Gabe Hauge will develop briefly the history of the tariff cases which have come before the President, and which now have begun to indicate some definite policy approach on the part of the Administration.

3. Report on the Economic Situation. (Dr. Burns)

4. Report on Debt Limit. (The Secretary of the Treasury)

5. Interim Preparation for State of the Union Message and the Development of the Program in the Future.

( )

6. Reorganization of the Department of the Interior with Particular Reference to the Bureau of Mines.

( )

7. Proposed Washington Conference of Mayors.

(Governor Adams?)

The Original Eisenhower Library

(Briefing Paper for Chart)

OUTLOOK FOR JAPAN'S TRADE IN 195?

What Japan Must Do to Balance Its Trade

This chart is designed to indicate what Japan must do to balance its trade at some time within the next five years. If Japan's trade is not balanced in the near future it will be faced with virtual depletion of foreign exchange reserves necessitating either drastically curtailed imports (and a bare subsistence standard of living) or financial assistance from abroad.

The projection for 195? is not an indication of what Japan can probably accomplish under current conditions. Extremely favorable circumstances would have to prevail before even the most optimistically-minded would believe that Japan could achieve the balanced position shown on the chart. Two of these circumstances would be (1) increased efficiency of Japanese industry and a successful internal deflationary policy resulting in lower prices for Japanese exports, and (2) most-favored-nation treatment for Japanese products, tariff concessions on Japanese goods, and worldwide relaxation of quantitative import controls. A third point, noted later, involves some reduction in the 1953 Japanese standard of living. With the operation of these favorable factors, it is within the realm of possibility for Japan to achieve external balance.

B. 1953 Trade Adjusted for Abnormal Imports and a Standard of Living Reduced to 1934-36 Level

Actual imports in 1953 totalled $2.4 billion. Included in this figure, however, were abnormally high imports of foodstuffs made necessary by Japan's poorest rice crop in two decades, and abnormal machinery imports for the modernisation of Japanese industry. Such imports totalled about $125 million, and are subtracted from the actual 1953 figure because of their temporary nature. A further subtraction of $175 million has been made, on the assumption that Japan must reduce its 1953 standard of living (which was 7.5 percent above the 1934-36 rate) at least down to the prewar level. The cutting out of $175 million of imports would probably bring about this result. (However, through greater output of indigenous commodities and more efficient use of present materials, it is conceivable that the Japanese could experience some expansion in their standard of living beyond the 1934-36 rate even at this lower import level.)

Thus the $125 million for abnormal imports and the $175 million for imports to support a higher living standard than the Japanese can afford, which together total $300 million, has been subtracted from the 1953 import total of $2.4 billion to give an adjusted figure of $2.1 billion. It is on the basis of the position as shown in Graph B--$1.3 billion exports as against $2.1 billion imports--that the projection in Graph C has been made. This import total of $2.1 billion is about the level to which Japan's current austerity program is geared.

C. Estimated Exports and Imports in 195?

The estimates in Graph C, as in A and B, are on a Customs returns basis--f.o.b. for exports and c.i.f. for imports. It is indicated that an expansion in

DECLASSIFIED
Authority MR 78-24 #1
By bc NLE Date 2/27/78

Japanese exports of $600 million will be necessary in order to attain eventual external balance. The possible geographic distribution of this 47-percent increase in Japan's exports is given in Table A of the supplementary chart.

At the same time that exports have been expanded by $600 million to a total of $1.9 billion, two additions must be made on the import side: (1) With an annual rise in population of 1.2 million, approximately $80 million (rounded to $0.1 billion on the chart) will be required in additional food and raw material (especially textile fiber) imports in 195?. (2) To support an export expansion of $600 million, as projected, some $120 million more (rounded to $0.1 billion in the chart) would have to be spent on raw materials from which to fabricate the exports.[1] These two import increments come to $200 million, which added to the starting level of $2.1 billion result in overall imports of $2.3 billion.

On a Customs returns basis, the projection shows total exports of $1.9 billion (f.o.b.) against total imports (c.i.f.) of $2.3 billion, which, although it represents a reduction from the actual 1953 trade deficit of $1.1 billion and the adjusted 1953 deficit of $0.8 billion, still leaves a deficit of $0.4 billion--one-half the adjusted 1953 figure.

D. Trade in 195? Adjusted for Shipping Services

The $400 million deficit on merchandise trade account disappears, however, when shipping services are taken into consideration. It is assumed that by 195? Japan will again be carrying its trade in its own ships in about the same proportion as in 1935, when 65 percent of Japan's exports and 55 percent of its imports were carried in Japanese bottoms. This is the approximate goal of the Japanese Government. (1953 ratio: 38 percent for exports and 43 percent for imports) Shipping charges on exports generally ran at about 20 percent of the cost of the commodity while such charges for imports make up about 17 percent of the cost of the product.

On the basis of these two sets of proportions, it is calculated that from $1.9 billion (f.o.b.) of exports Japan could earn $247 million--rounded to $200 million on the chart--from shipping services. Conversely, of a total c.i.f. import value of $2.3 billion, Japan could save $215 million--rounded to $200 million on the chart--represented by that portion carried in its own ships. Thus Japan would receive $1.9 billion for exports plus approximately $200 million for shipping earnings for a total of $2.1 billion in foreign exchange receipts. On imports of $2.3 billion (c.i.f.) Japan would pay out only $2.1 billion because of the $200 million saving in shipping charges, and consequently trade and shipping services would balance at $2.1 billion in each direction.

---

[1] Basis for this figure:

	Ratio of imported raw materials to exports	Proportion of total increased exports
Machinery & transport equipment	12.5% - 1:8	40%
Consumer goods incl. textiles	25% - 1:4	40%
Metals, metal products, chemicals, & miscellaneous	20% - 1:5	20%
Average	20% - 1:5	

~~CONFIDENTIAL~~

ADMINISTRATIVELY RESTRICTED

(Briefing Paper for Geographic Tables)

OUTLOOK FOR JAPAN'S TRADE IN 195?

What Japan Must Do to Balance Its Trade

A. Geographic Pattern of Japan's Exports: 1953 and 195?

This table indicates that the projected $600 million increase in Japan's total exports in 195? as compared with 1953 represents an expansion of 47 percent. Increased exports to Africa and Asia are exactly in line with the overall percentage, while projected exports to Europe, Latin America, and the United States are close to the average.

Exceptions are Australia and Oceania, and Canada. Proposed exports to Australia and Oceania are nearly double the current rate. This seems reasonable since Japanese exports to this area in 1935 were then valued at almost double the 1953 dollar figure. In view of the tremendous price changes since 1935, this means that Japan's exports to Australia are now only a fraction of what they were in 1935 in physical volume terms. Added to this is the current rapid industrialization of Australia and increased demand for machinery and transport equipment, so that a doubling of Japan's current exports to this area appears possible.

In the case of Canada, an increase in Japanese exports of 67 percent also appears possible with the more favorable tariff treatment given Japanese goods under a recent commercial agreement between the two countries, and in view of the current small value of Japanese exports to Canada and the large potential market represented by this high standard-of-living area.

As was noted in the general briefing paper, the overall expansion of exports by $600 million is not what is considered probable but, rather, represents an expansion which must take place if Japan is to balance its trade account and can be considered a theoretical possibility under favorable circumstances.

B. Possible Geographic Distribution of Japan's Additional Exports in 195? By Major Commodity Groups

This table indicates that Japan's additional exports in 195? might be made up of 40 percent in the machinery and transport category ($240 million), 40 percent in the consumer goods (including textiles) group ($240 million), and 20 percent in metals, metal products, chemicals, and miscellaneous ($120 million).

Exports of the first and third groups of commodities are naturally concentrated in the less developed areas (Africa, Asia, Australia, and Latin America) since they represent items which industrializing countries require and produce either not at all or in insufficient quantities. These areas will not only require more machinery and transport (eg., railroad) equipment, but can be expected to take some more in the last category such as semi-fabricated metals, chemicals, and construction materials (eg., Japanese cement has gone as far as Southern Rhodesia, although this was probably due to temporary factors). Europe is also shown as purchasing more in the machinery and transport line, which here would especially include ships and textile machinery (eg., an agreement was recently concluded whereby a Japanese rayon plant was to be supplied to Yugoslavia).

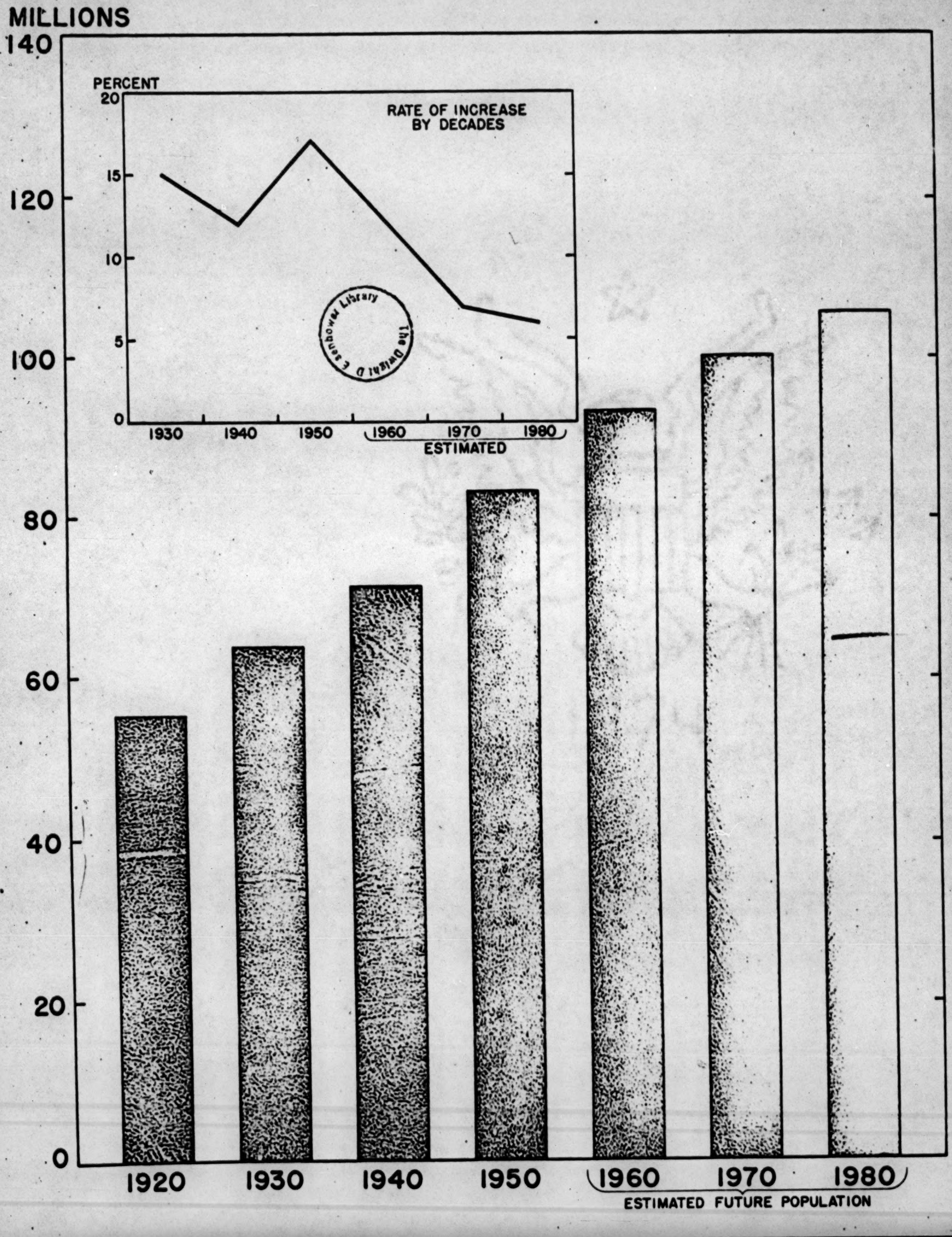
The biggest purchaser of the increased consumer goods export of $240 million is assumed to be the United States, with a share of $85 million. As with all the geographic distribution, this can only be predicated on the highly favorable circumstances noted in the general briefing paper. Table B shows that the three commodity categories for the United States are divided, respectively, into proportions of 5, 85, and 10 percent. In 1953 the approximate proportion was 5 (eg., sewing machines), 75, and 20 percent (eg., steel, aluminum, plywood). It is anticipated that the future expansion will be more heavily in consumer goods (85 percent) since some of the 1953 metal shipments, especially steel, were due to temporary shortages in the United States. But other metals, such as titanium, will be shipped in increasing quantities, and the wood category (also under the third general commodity group) can be expected to grow larger.

Canada is shown as concentrating all of its enlarged purchases from Japan in the consumer category, mainly because the total figure is too small to break down further; nevertheless, some of Canada's increase of $10 million will probably spill over into the first and third commodity groups.

Obviously, all of the figures for the various countries--both as totals and as broken down into commodity groups--represent highly tentative estimates subject to substantial fluctuations caused by the operation or inoperation of the favorable assumptions on which they are based as well as by unforeseen external factors.

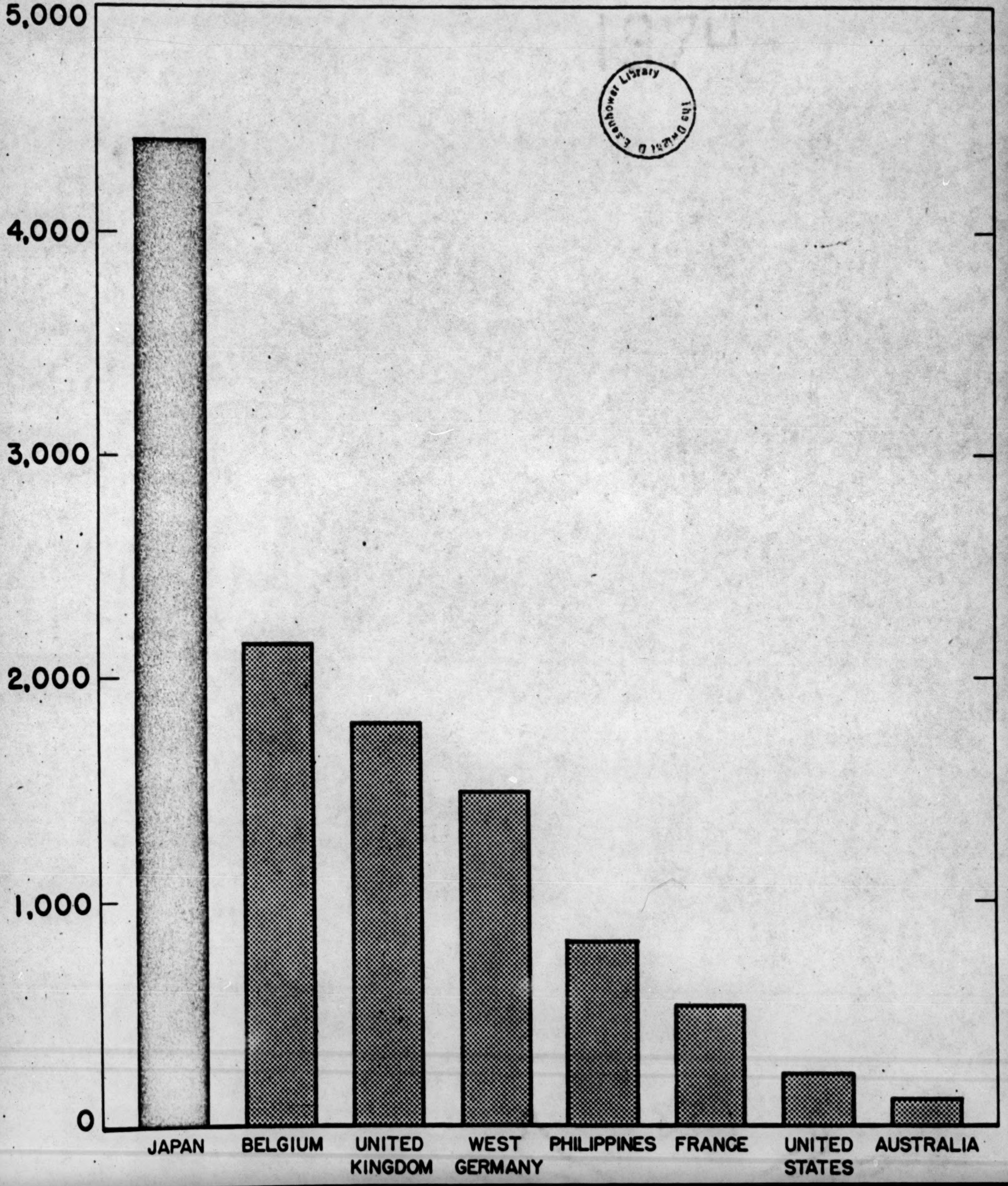
August 3, 1954

POPULATION OF JAPAN, 1920-1980

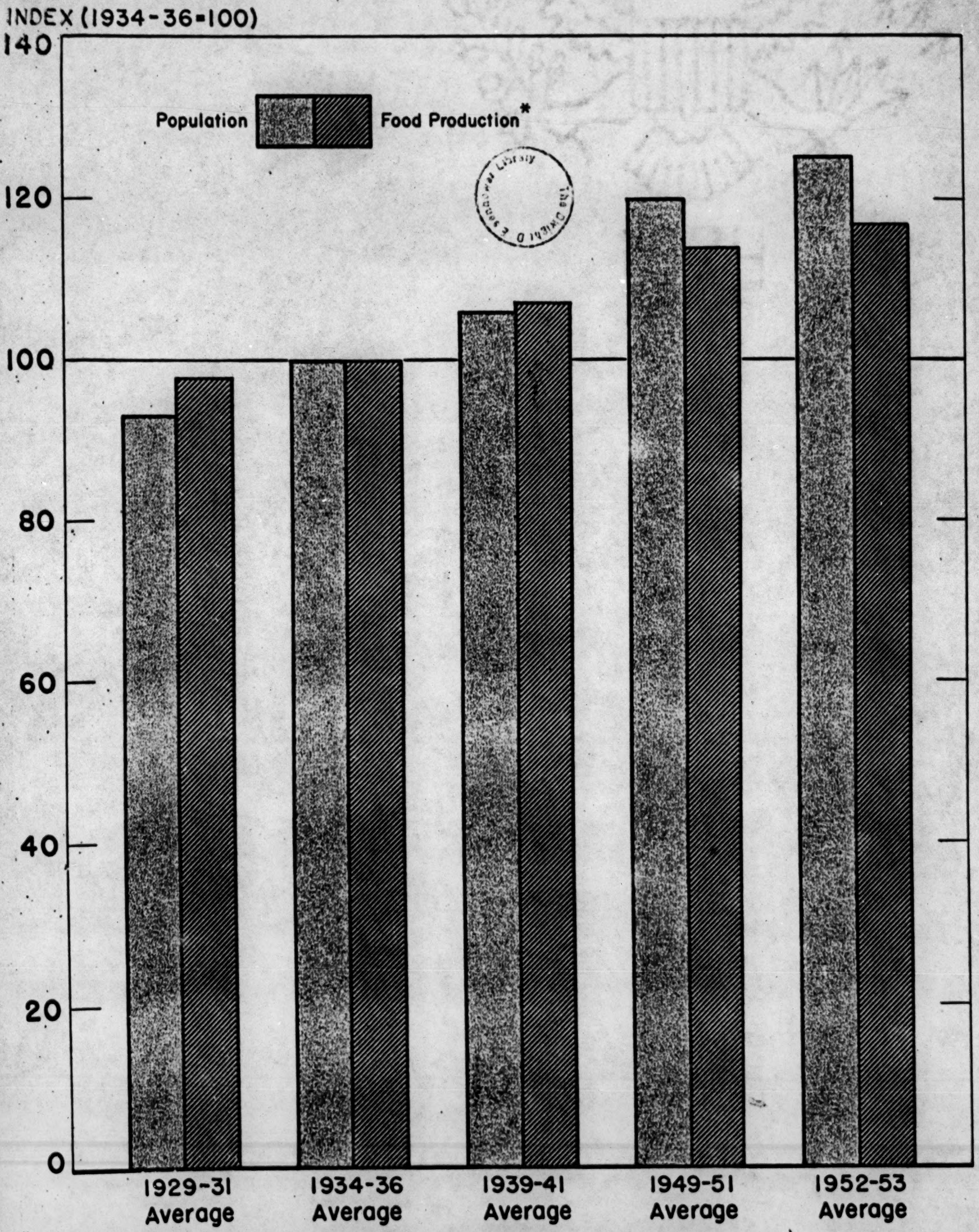


POPULATION DENSITY PER SQUARE MILE OF ARABLE LAND

FOR SELECTED COUNTRIES - 1953

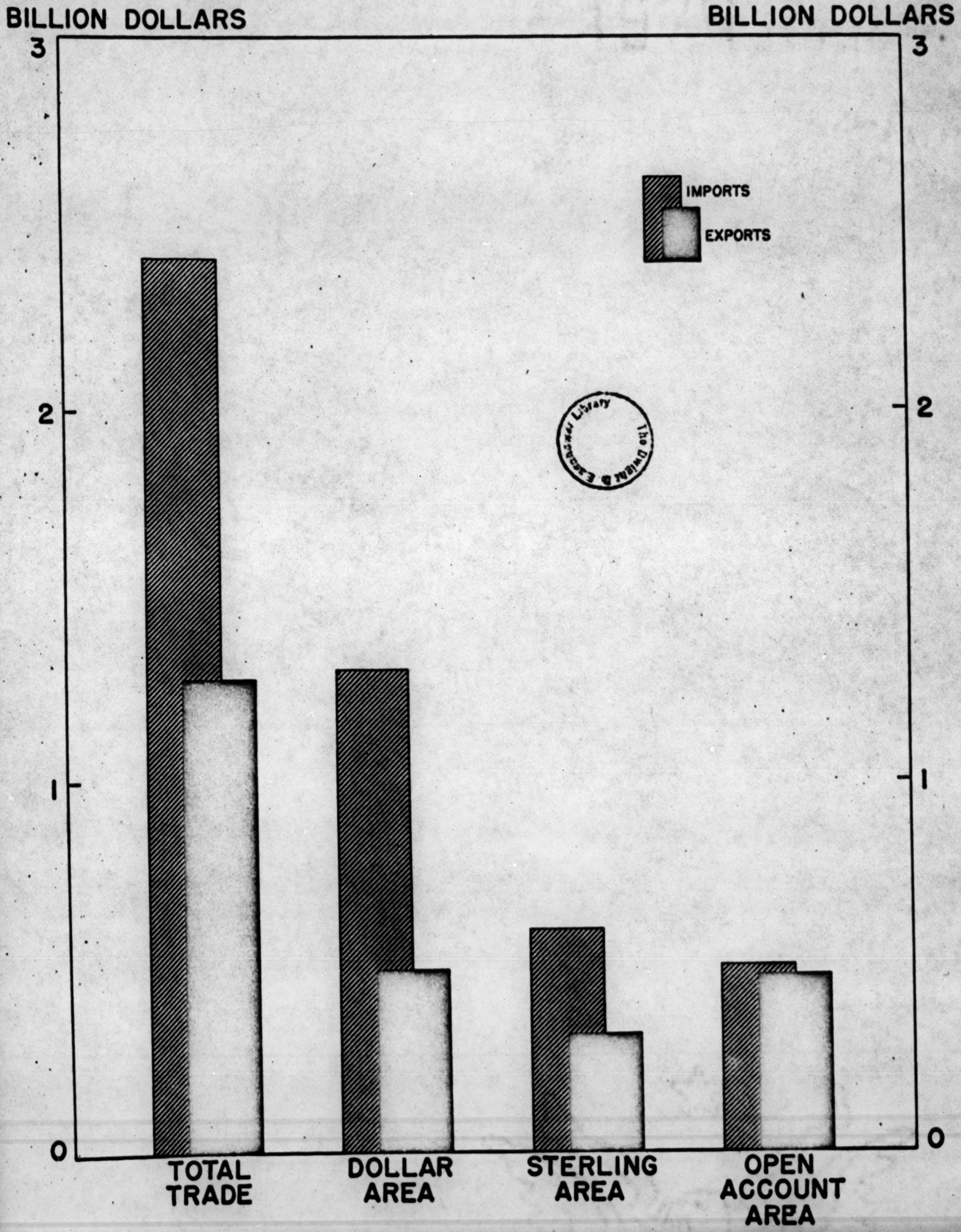


INDICES OF FOOD PRODUCTION AND POPULATION IN JAPAN, 1929-1953

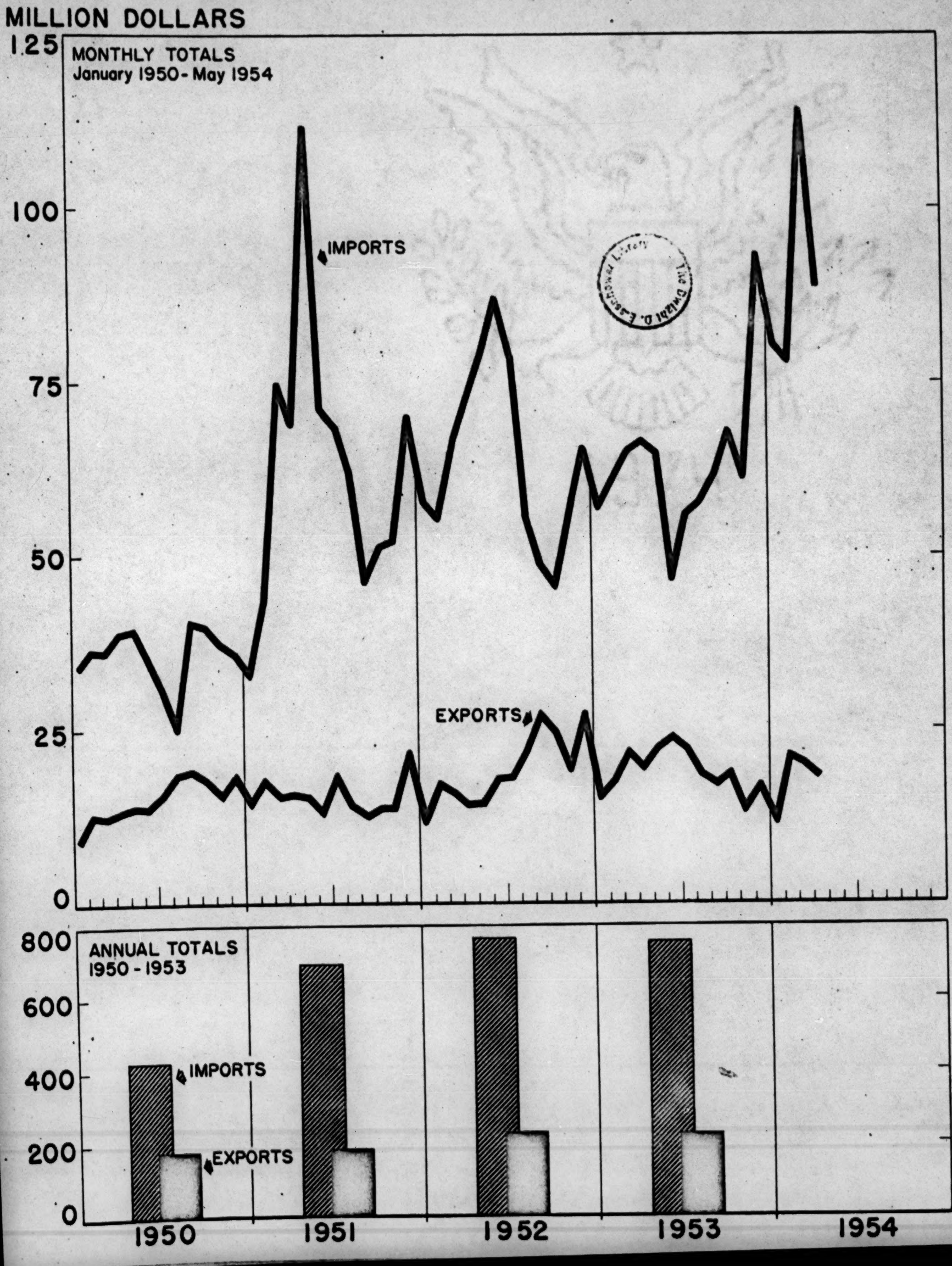


*Based on production of major food commodities measured in brown rice equivalent

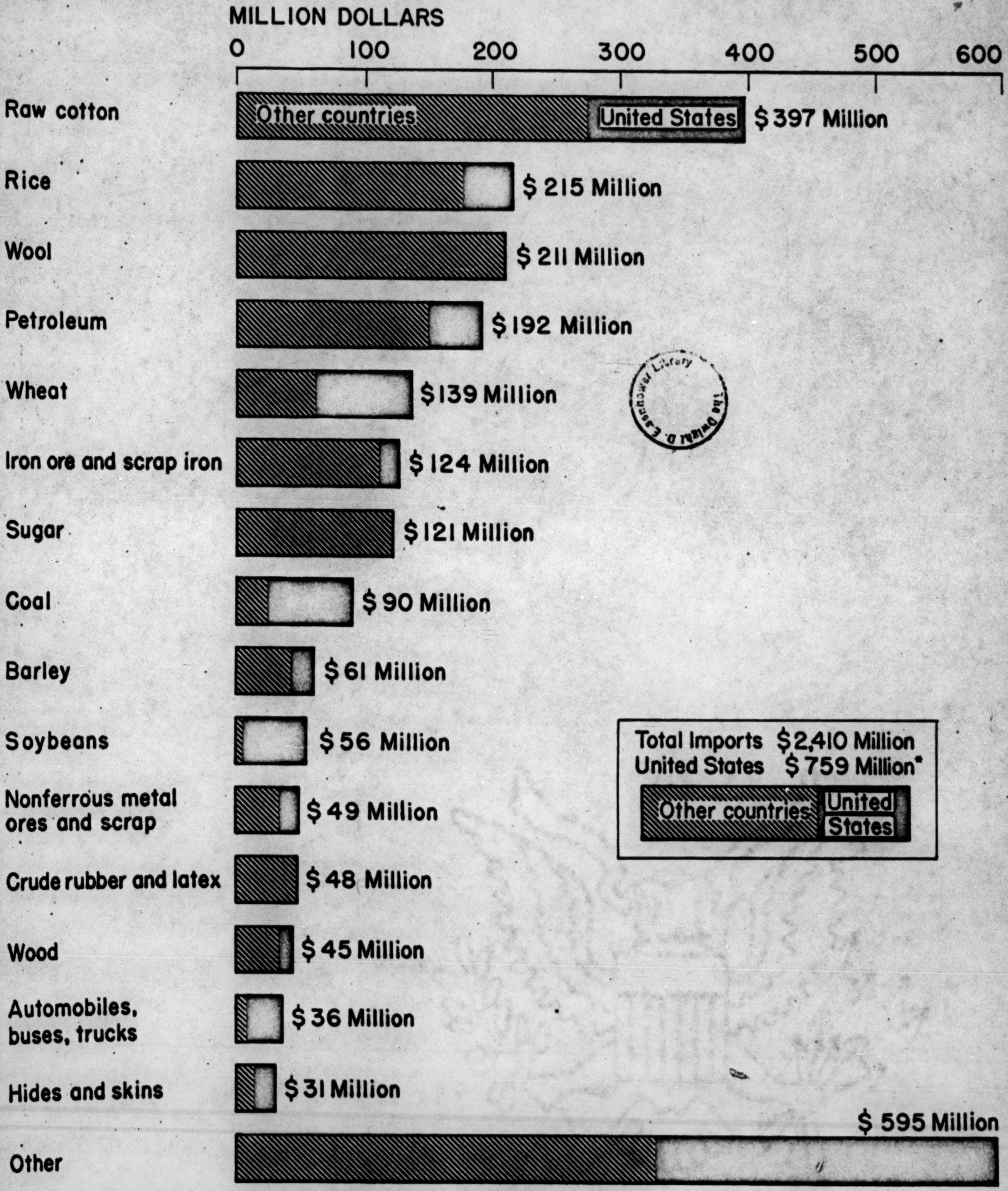
FOREIGN TRADE OF JAPAN BY CURRENCY AREAS, 1953



JAPAN'S TRADE WITH THE UNITED STATES



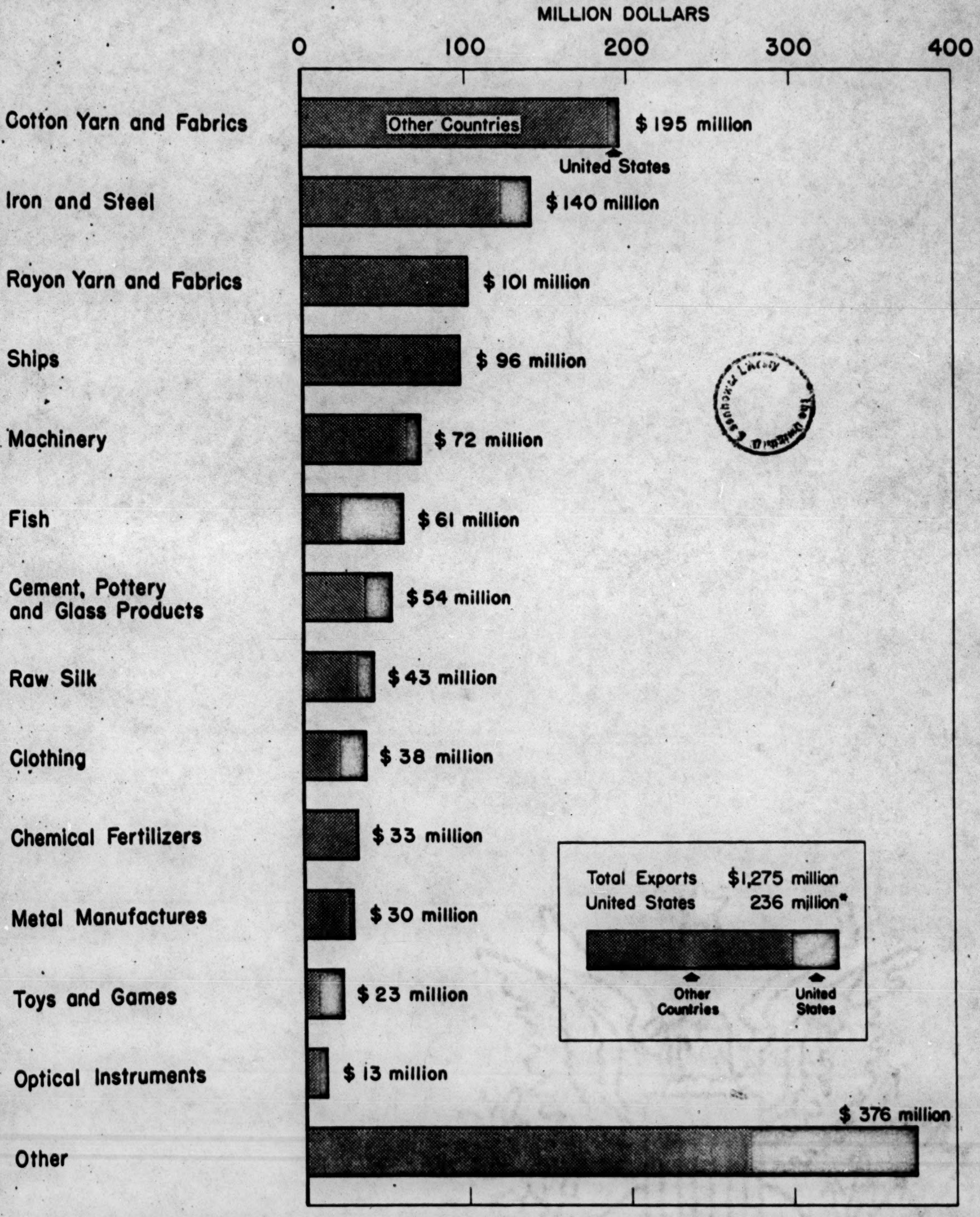
JAPAN'S IMPORTS FROM THE WORLD AND THE UNITED STATES BY PRINCIPAL COMMODITIES, 1953



*Including U. S. Territories and possessions

JAPAN'S EXPORTS TO THE WORLD AND THE UNITED STATES

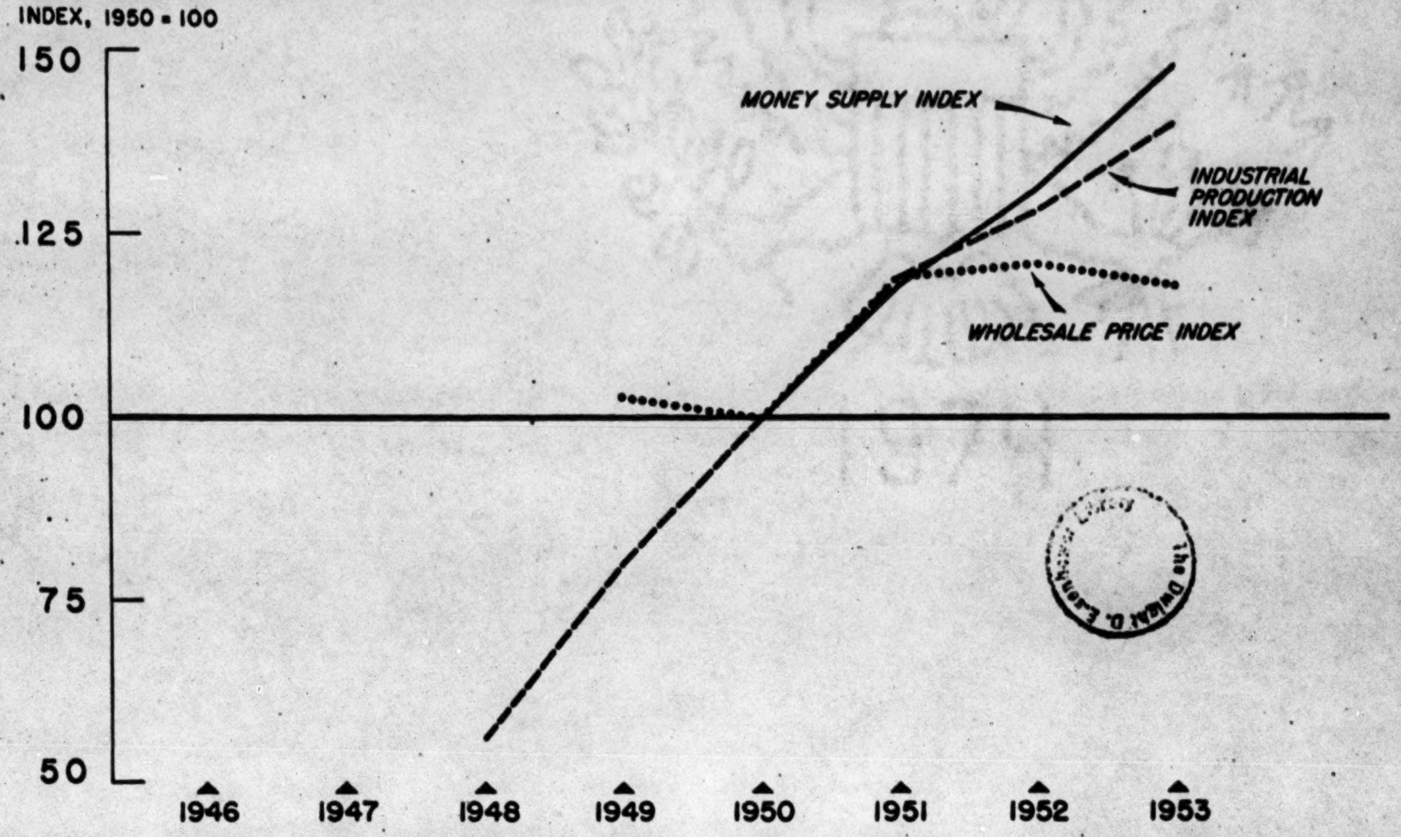
BY PRINCIPAL COMMODITIES, 1953



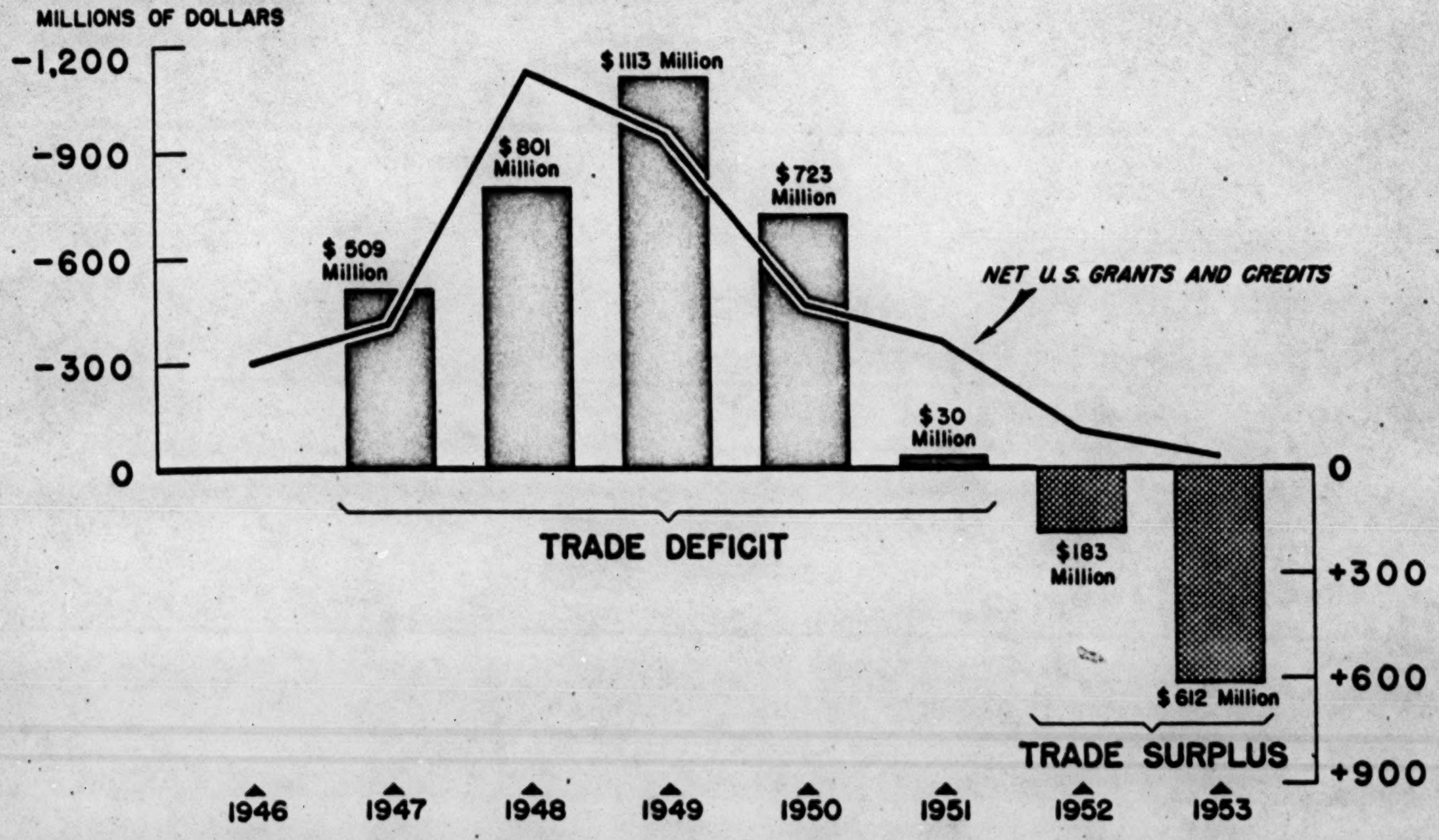
* Including U.S. territories and possessions

FEDERAL REPUBLIC OF GERMANY
SELECTED ECONOMIC INDICATORS

INDICES OF PRODUCTION, PRICES AND MONEY SUPPLY



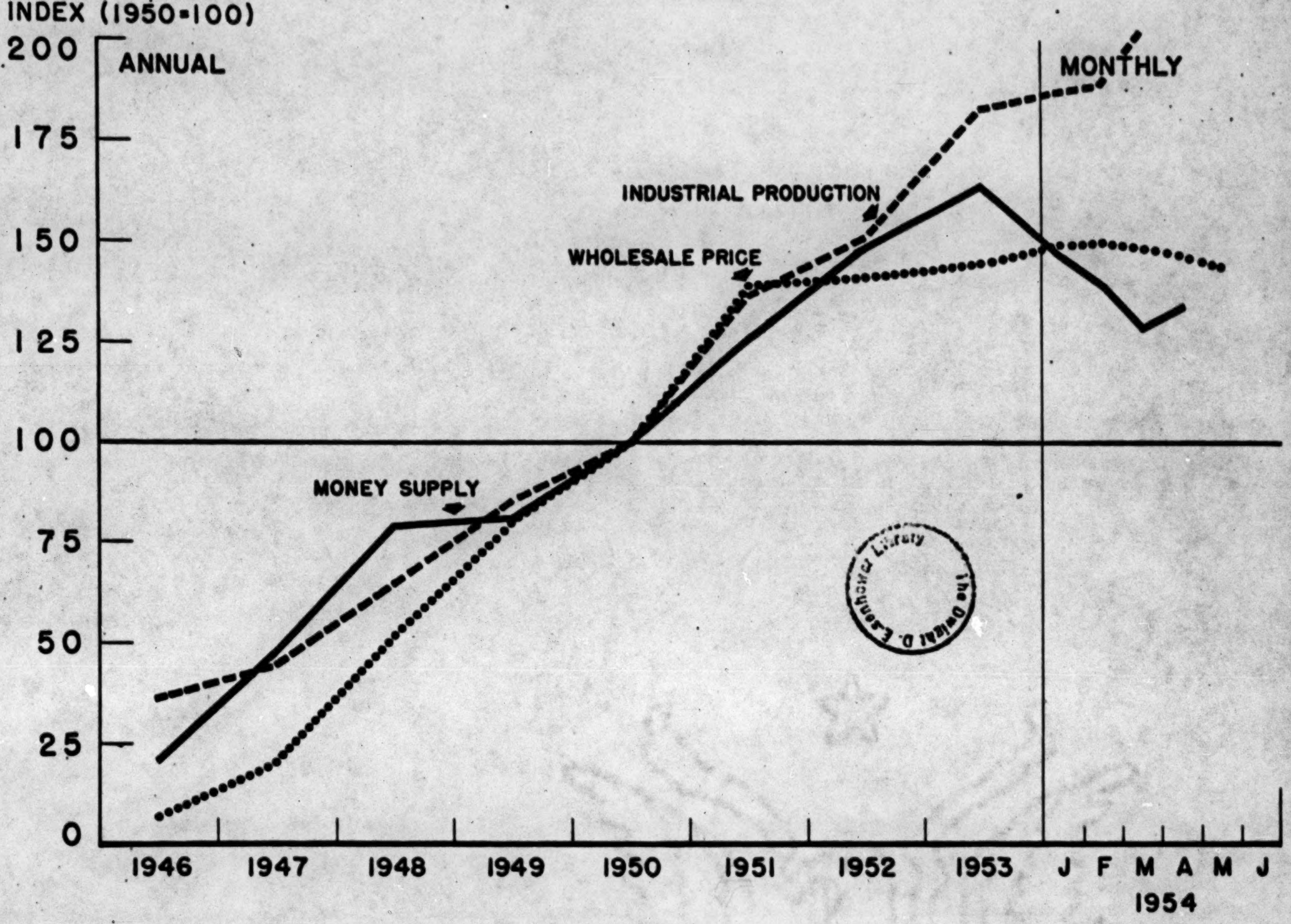
MERCHANDISE TRADE BALANCE AND U. S. AID



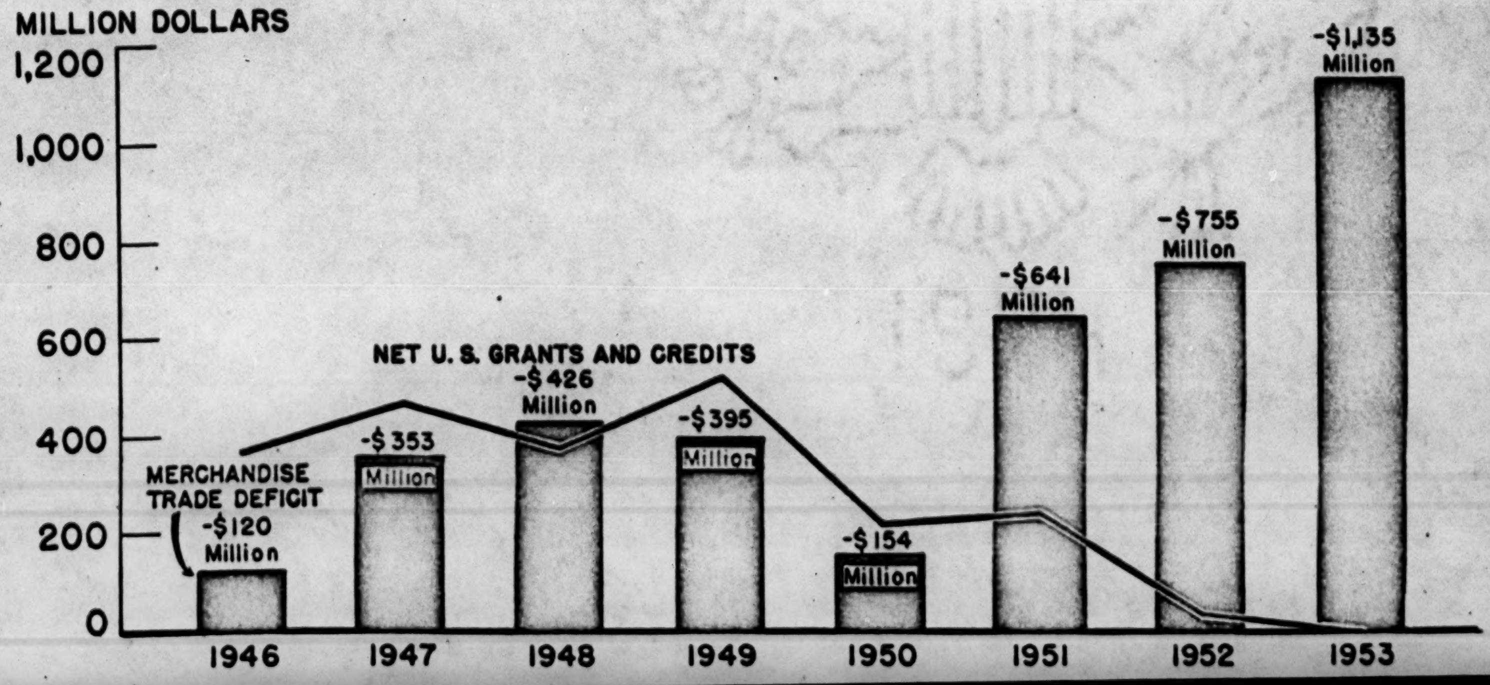
NOTE: 1947 and 1948 trade data relate to Bizone only.

JAPAN: SELECTED ECONOMIC INDICATORS

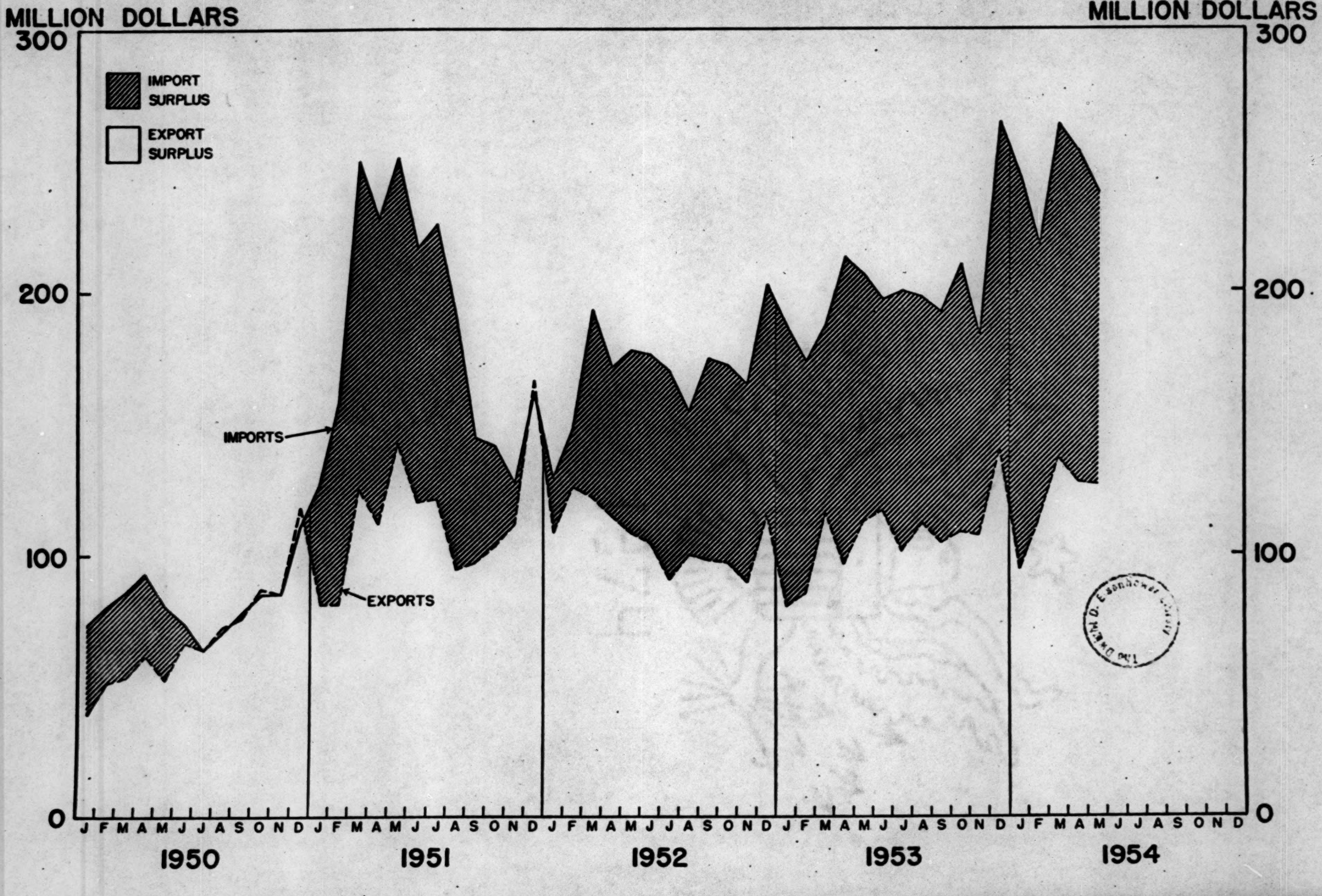
INDICES OF PRODUCTION, PRICES, AND MONEY SUPPLY



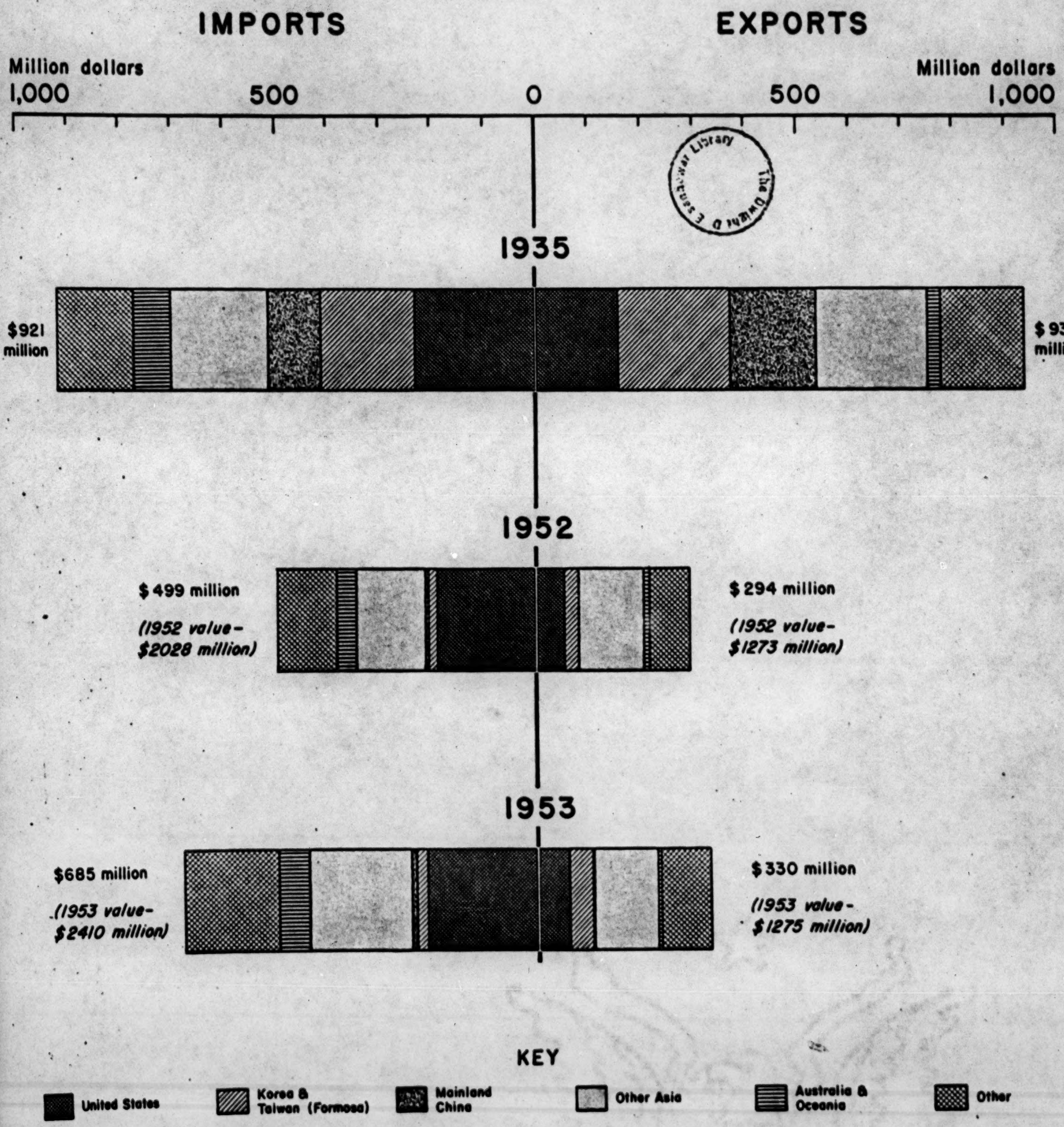
MERCHANDISE TRADE BALANCE AND U. S. AID



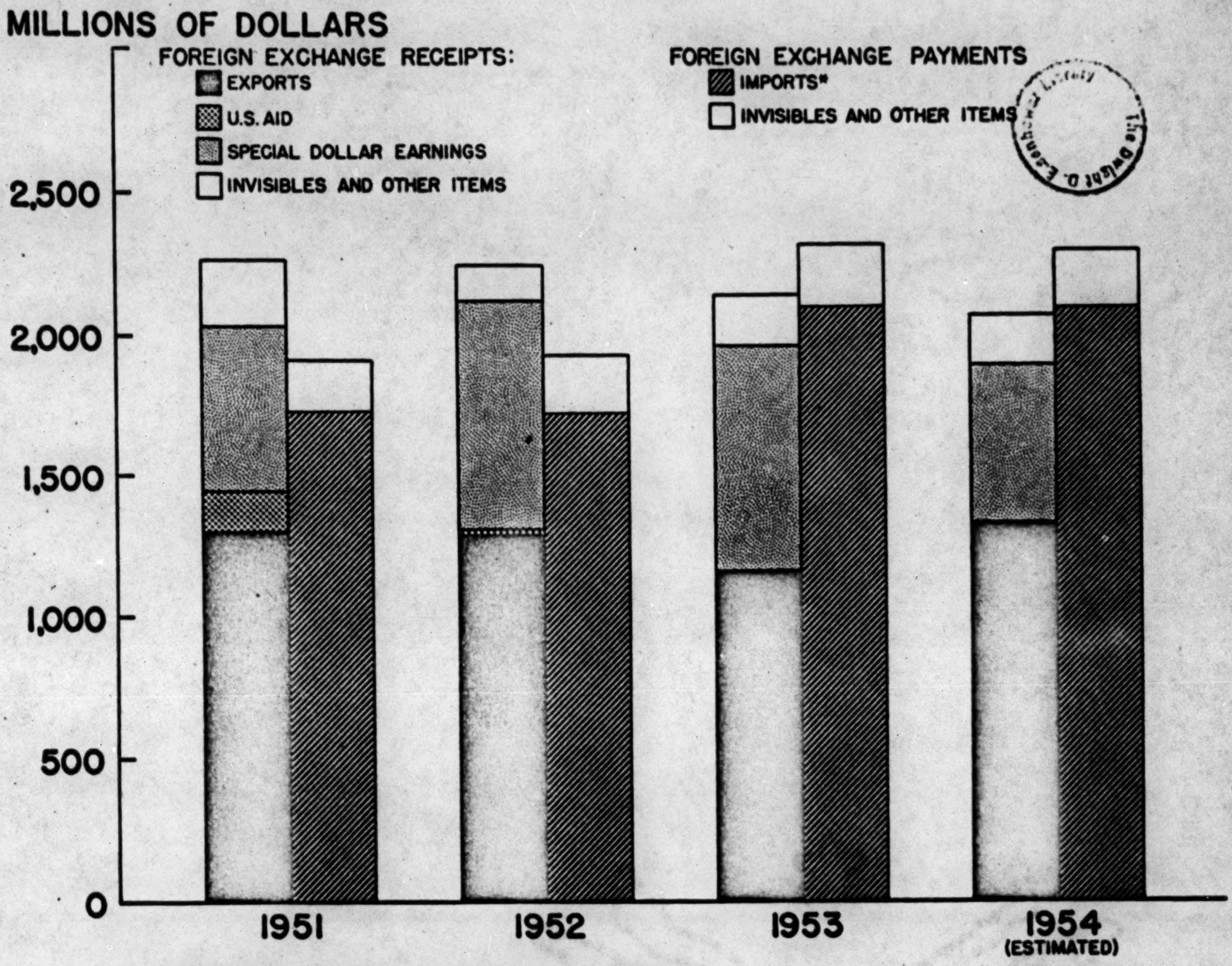
FOREIGN TRADE OF JAPAN, JANUARY 1950-MAY 1954



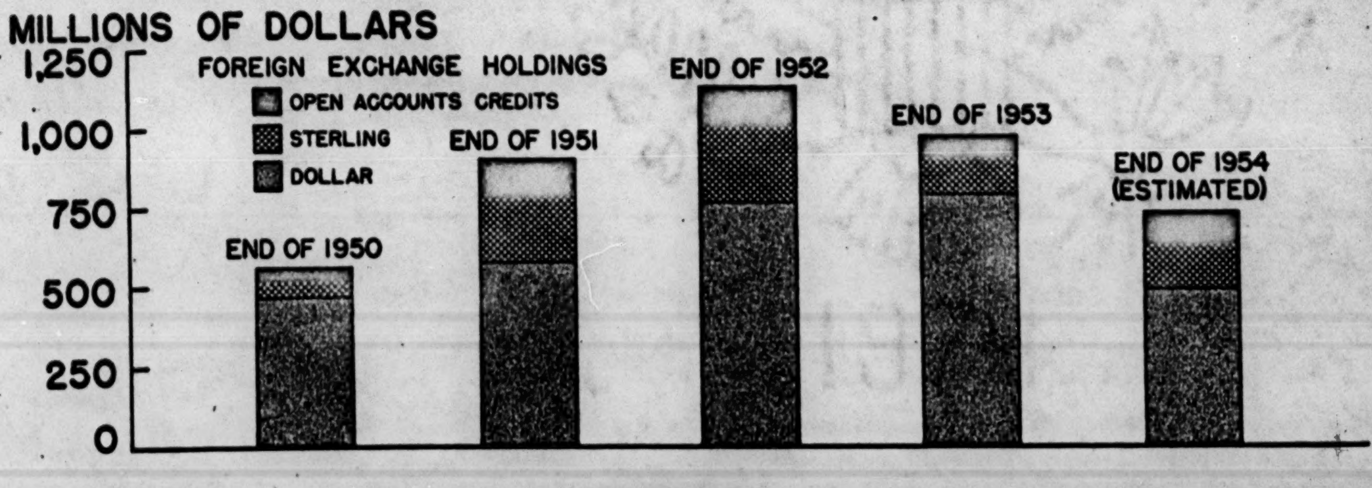
TRADE OF JAPAN
IN CONSTANT 1935 DOLLARS
BY SELECTED AREAS
1935, 1952, AND 1953



JAPAN'S FOREIGN EXCHANGE PAYMENTS AND RECEIPTS, 1951-1954 AND FOREIGN EXCHANGE HOLDINGS



*EXCLUDES MAJOR PORTION OF TRANSPORTATION CHARGES WHICH IS INCLUDED IN INVISIBLES.



SUMMARY OF PROCEEDINGS UNDER THE
ESCAPE CLAUSE
OF THE
TRADE AGREEMENTS EXTENSION ACT

1948-53

Table 1.--Status of escape-clause applications filed with the Tariff Commission, as of July 28, 1954.

Total applications filed with Tariff Commission		56
Withdrawn without action by Commission	5	
Commission decision pending	6	
Cases decided by Commission		45
Against escape action	32	
For escape action	12	
Evenly divided	1	
Recommendations to President for escape action		13
President invoked escape clause	5 ✓ ✓	
President refused to invoke escape clause	5 ✓	
President requested further study	2 ✓	
President deferred action	1 ✓	

Table 2.--Disposition of escape-clause applications filed with the Tariff Commission, 1948-53

Commodity	Disposition (Vote of Commission in parentheses)
1948:	
1. Marrons	Dismissed after preliminary inquiry (unanimous)
2. Whiskies and spirits	Dismissed after preliminary inquiry (unanimous)
3. Spring clothespins	No modification recommended (5-1)
1949:	
4. Knitted berets, wool	Dismissed after preliminary inquiry (3-3)
5. Crude petroleum and products	Dismissed after preliminary inquiry (4-2)
6. Hops	Dismissed after preliminary inquiry (4-2)
7. Reeds	Dismissed after preliminary inquiry (unanimous)
8. Narcissus bulbs	Dismissed after preliminary inquiry (unanimous)
9. Sponges	Dismissed after preliminary inquiry (3-3)
10. Gloves and mittens	Application withdrawn
11. Knitted berets, wool	Dismissed after preliminary inquiry (5-1)
1950:	
12. Silk woven fabrics	Dismissed after preliminary inquiry (unanimous)
13. Women's fur felt hat bodies	Relief recommended, granted by President (unanimous)
14. Stencil silk, dyed or colored	Dismissed after preliminary inquiry (unanimous)
15. Beef and veal	Dismissed after preliminary inquiry (3-3)
16. Aluminum and alloys	Dismissed after preliminary inquiry (unanimous)
17. Lead	Dismissed after preliminary inquiry (unanimous)
18. Hatters' fur	Relief recommended, granted by President (unanimous)
1951:	
19. Watches, movements, and parts	Relief recommended, not granted by President (4-2)
20. Motorcycles and parts	No modification recommended (3-2)
21. Blue-mold cheese	No modification recommended (4-1)
22. Wood screws	No modification recommended (4-2)
23. Spring clothespins	No modification recommended (3-2)
24. Groundfish fillets	No modification recommended (3-2)
25. Garlic	Relief recommended, not granted by President (4-2)
26. Bicycles and parts	No modification recommended (unanimous)
27. Glacé cherries	No modification recommended (3-2)
28. Bonito and tuna not in oil	No modification recommended (3-2)
*29. Tobacco pipes and bowls	Relief recommended, not granted by President (unanimous)

Commodity	Disposition (Vote of Commission in parentheses)
1952:	
30. Household china tableware	No modification recommended (unanimous)
31. Dried figs	Relief recommended, granted by President (unanimous)
32. Wood screws	No modification recommended (3-1)
33. Pregnant mares' urine, estrogens	No modification recommended (unanimous)
34. Chalk whiting	No modification recommended (3-1)
35. Woodwind musical instruments	No modification recommended (unanimous)
36. Cords and twine	Application withdrawn
37. Cotton carding machinery	No modification recommended (unanimous)
*38. Screen-printed silk scarves	Relief recommended, President requested further study (unanimous) ✓
39. Rosaries	No modification recommended (unanimous)
40. Metal watch bracelets and parts	No modification recommended (unanimous)
*41. Hand-blown glassware	Commission evenly divided, President requested further study (3-3) ✓
1953:	
42. Mustard seeds	No modification recommended (unanimous)
*43. Scissors and shears	Relief recommended, not granted by President (4-2) ✓
*44. Groundfish fillets	Relief recommended, not granted by President (3-2) ✓
*45. Watch movements and parts	Relief recommended, granted by President (4-2) X
*46. Lead and zinc	Relief recommended, President deferred action (unanimous)
47. Straight pins	Dismissed without formal finding (unanimous)
48. Safety pins	Dismissed without formal finding (unanimous)
49. Fluorspar, acid grade ✓	Dismissed at applicant's request
*50. Alsike clover seed	Relief recommended, granted by President in part (unanimous) X

The Dwight D ... Library

---

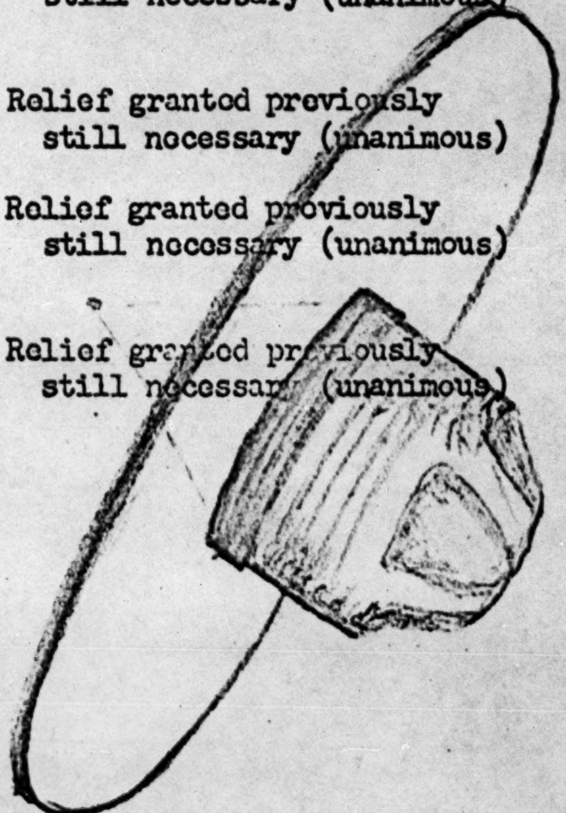
*Action by President Eisenhower

Table 3.--Escape-clause investigations pending before the Tariff Commission on July 28, 1954.

Commodity	Status
1. Spring clothespins	Action not completed as of July 28, 1954
2. Ground chicory	Action not completed as of July 28, 1954
3. Wood screws	Action not completed as of July 28, 1954
4. Wool gloves and mittens	Action not completed as of July 28, 1954
5. Glue	Action not completed as of July 28, 1954
6. Bicycles	Action not completed as of July 28, 1954

Table 4.—Review investigations by the Tariff Commission under Executive Order 10401.

Commodity	Disposition (Vote of Commission in parentheses)
1952:	
1. Women's fur felt hats and hat bodies	Relief granted previously still necessary (unanimous)
1953:	
2. Dried figs	Relief granted previously still necessary (unanimous)
3. Women's fur felt hats and hat bodies	Relief granted previously still necessary (unanimous)
1954:	
4. Hatters' fur	Relief granted previously still necessary (unanimous)



August ~~10~~ 9, 1954

MEMORANDUM

Attorney General Herbert Brownell indicated that the meeting on Friday, August 6th, was one of the best of the year and he thought that treatment of the independent agencies along the lines of the tariff presentation of Dr. Hauge would be excellent. He suggested that the topic, PRESIDENTIAL JURISDICTION ON PASSING ON AIRPLANE POLICIES, be taken up. This should deal with CAB, foreign and domestic, not military phases.

He thought that such a presentation would allay criticism which the airlines have put forth that the President has not taken a single step of major consequence in this field since he has been in office. He says that this material affects anti-tru trust, matters and foreign policy. The members of the Cabinet, in Mr. Brownell's opinion, should know more about the independent agencies or else they will get mixed up when basic subjects, touching upon them, come into play.

UCS

MMR says:

Put this ~~on~~ with the the Cabinet items on Japan for August 6 meeting.

ncs

THE WHITE HOUSE
WASHINGTON

August 9, 1954

MR. RABB:

General Carroll left following message:

> Both General Persons and Mr. Hagerty were highly critical with reference to the leak in the New York Times regarding the Cabinet Meeting. The article was by EGIN.

BR

THE PRESIDENT

THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Friday, August 13, 1954

1. **Physical Examinations.** **(The President)**

2. **Staff Work for the President in the Executive Branch.**
   (The President and Governor Adams)

3. **Report on Economic Situation.**
   (Dr. Burns)

4. **Restatement of Administration Policy on Civil Service.**
   (Chairman Young)

5. **Report on Economic Operations.**
   (Governor Stassen)

6. **Preparation for State of the Union Message.**
   (The President)

7. **Indochina.**

8. **Two Projects for Telling Administration's Story of Accomplishments this Fall.**
   (Mr. Hagerty)

9. **Relationship between proposal for development of Southwest Washington and Government Policy for Dispersal of Government Buildings, Housing and persons engaged in Essential Functions.**
   (Dr. Flemming)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BHC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

August 13, 1954
11:15 A.M. to 1:33 P.M.

At Laurel Cottage - Camp David, Maryland

The following were present:

President Eisenhower

Under Sec. of State W. B. Smith
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge
Dr. Arthur Burns

Gov. Adams
Mr. Shanley
Mr. Hagerty
Dr. Hauge
Mr. Harlow
Gen. Cutler
Mr. Snyder
Mr. Rabb
Mr. Willis
Mr. Minnich

Major John Eisenhower
Mr. Carter Burgess, in part
Mr. Bradley Patterson, in part

Foreign Trade Organization Study - The President announced that he had succeeded in conscripting Joe Dodge to work up the plan for some kind of an organization to link State, Defense, ODM and all the other agencies concerned with the development and implementation of foreign economic policy. He requested close cooperation with Mr. Dodge.

Physical Examinations - The President stressed the need for attention to personal health and invited Cabinet members to utilize the facilities of Walter Reed General Hospital for a complete physical check-up at least twice a year. Gov. Adams offered to have individual appointments arranged if Cabinet members would express their desires to him.

(Messrs. Burgess and Patterson joined the meeting.)

Staff Work for the President - The President recalled his frequent previous comments on the need for good staff work and sufficient staff personnel. He described the Carter Burgess study as an effort to handle more efficiently the work shared by President and Cabinet rather than just the work within the President's office.

Mr. Burgess presented a series of charts concerning the relationship of President, White House staff and Department heads, the flow of work to and from them, desirable procedures and formats, and particularly the need for

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-4-76

a White House contact officer within each agency who had the confidence of the agency head as well as considerable authority within the agency. He distributed a booklet (copy attached) containing the material presented.

The President then emphasized that the proposals would help provide essential "time to think" for top officials by relieving them of detail work and by more clearly fixing responsibilities for carrying out actions. He believed the proposal a simple method for knitting the Cabinet more closely together, but he made clear that the proposal was still open to criticism of details.

Mr. Summerfield's suggestion that the presentation be made to the Sub-Cabinet was favorably received.

Mr. Wilson commented on his original feeling that the departments would have the responsibility of clearing Cabinet papers and his experience in the Defense Department where he had a concerted campaign underway for moving responsibilities out of his office to the appropriate Assistant Secretaries. The President commented to Mr. Wilson on the need for having a single person within each Department to whom White House staff members can turn for rapid assistance so as to eliminate calling the Secretary personally.

Gov. Adams requested that Cabinet members discuss the matter with him or Gen. Carroll prior to designating the White House contact officer.

The Attorney General ascertained that the person to be designated need not be a principal advisor to the Department head but rather an Executive Secretary type.

Mr. Humphrey stressed the need for eliminating paper work rather than creating it, and he was reassured by Gen. Smith that the proposed system would reduce it. Gov. Stassen believed this proposal could prove to be one of the most significant administrative developments in fifty years, but that an Executive Secretariat would be required in each agency to make it work. The President recalled previous efforts, notably by Mr. Forrestal, to introduce the system but which were disapproved by earlier Presidents. The President responded to a comment by Mr. Wilson with assurance that the system would not blossom into overstaffing at the White House and that each Cabinet member would have to watch for such a development in his own department. Gen. Smith described briefly the effectiveness of the British Cabinet system and the State Department Secretariat. Sec. Humphrey expressed an interest in having a study of the feasibility of a Secretariat in his department. Sec. Wilson then expressed his belief that this system would fill the gaps in the connecting links between Defense and other departments.

Dr. Flemming praised the proposal.

The President believed the discussion sufficient to warrant having the designees selected and then giving the "experts" a chance to get the system going.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-4-76

Economic Situation - Dr. Burns briefly reviewed the actions taken to strengthen the national economy, then pointed to two major shortcomings which should be remedied soon: (1) Broader authority for the President to adjust housing mortgage terms should be secured from Congress; (2) The Congressional increase of the debt limit by $6 billion would be inadequate in face of an international crisis, increased unemployment, or enlarged programs such as the President's Highway Program for stimulating economic growth.

Sec. Humphrey agreed on the seriousness of the debt problem and stressed the need for securing Congressional cooperation in establishing a realistic budgetary balance of income and expenditures. Director Hughes pointed to the difference between the careful budgets recommended by the Administration and the revised versions passed by Congress. Sec. Wilson noted that Defense Department construction programs had to be negotiated as many as six times with separate Congressional Committees. The President commented on the very delicate nature of the operation of the Federal Government despite its mammoth size and on the need for Congressional responsibility in voting funds for programs it adopts.

Personnel Policy - Chairman Young called attention to a letter to the President from Mr. Nicholas Kelley of the National Civil Service League protesting against the alleged need for political clearance in order to secure appointment or promotion in Civil Service positions. He reviewed the regulations which require that qualification standards be met for competitive positions, that appointing officers cannot take political affiliation into consideration but that they can accept suggestions for appointment from any source.

The President wanted a thorough check made to see that no violations such as mentioned by Mr. Kelley were occurring.

Mr. Young indicated that a reply to Mr. Kelley would be drafted for the President's consideration. The President preferred to send a letter of instructions to Chairman Young which could then be used for answering Mr. Kelley and for making clear the Administration's intent to enforce the pertinent regulations.

Mr. Willis explained that instructions had been sent to all agencies in regard to making information available about non-Civil Service positions as part of the legitimate effort to include in the Administration individuals whose philosophy of government conformed to the President's. He noted the establishment of the Special Assistants Program and its effectiveness in eliminating patronage difficulties. He stated that this program had been gone over by Mr. Young to ensure that it contained no violations of Civil Service regulations.

Sec. Humphrey noted that the sole remaining trouble in his department concerning patronage had to do with the Internal Revenue Service which is now established by law within the Civil Service system. He noted the Administration responsibility for upholding the merit system but cited the companion responsibility of career employees to refrain from exploiting the regulations. The Postmaster General noted that efforts within his department to eliminate Congressional complaints were made more difficult by the fact that many Congressional recommendations were forwarded to him without any regard for necessary qualifications. Dr. Burns pointed to the

~~CONFIDENTIAL~~

paradox in regard to the Council of Economic Advisers where relatively few employees were now under Civil Service regulations but that they possessed far greater professional qualifications and studiously refrained from political efforts.

Sec. Mitchell cited the need for greater attention to the Hatch Act in view of the coming elections. The President suggested that appropriate references might be included in the memorandum referred to previously which Mr. Young would draft. Mr. Young assured Mr. Mitchell that the Civil Service Commission would cooperate in the establishment of Hatch Act machinery.

Special Economic Operations - Gov. Stassen indicated the progress made toward improving the situation of American shipbuilding interests and suggested that an Administration statement be issued later concerning the placement of contracts. He then pointed to the possibility that Defense Department expenditures, particularly for Army ordnance, would run much lower than the reduced Budget target. He believed the current rate was $32 billion rather than the Budget estimate of $35 billion. After further discussion the President asked that Dr. Burns and Gov. Stassen consult with him and Sec. Wilson on the following Monday.

Gov. Stassen cited satisfactory development in regard to highway contracts, housing implementation, dollar exports, and Export-Import Bank activities. He believed progress too slow in regard to coal exports and reduction of the interest rate elsewhere than in New York.

It was suggested that the sale of Defense surplus stocks was having an adverse effect on private production and Sec. Wilson agreed that the Department of Defense should not push its surpluses to GSA so rapidly.

Gov. Stassen noted the problem concerning the purchase of locomotives for use in India under the Mutual Security Program and indicated that the contracts would probably be split between American and foreign producers. Mr. Wilson commented that the cost of purchase within the United States would be twice as great as in Japan, of extra importance because of the Japanese critical economic situation.

State of the Union Message - The President cited the need for early drafting of State of the Union material and directed efforts particularly toward areas where tactical defeats were suffered last year. Gov. Adams set October 1st as the desirable date for submission of drafts to the White House, and October 15th as the absolute deadline. He indicated that programs incorporated in the drafts need not have prior Budget Bureau clearance but should have at least been submitted to the Budget.

Indochina Refugees - Gen. Smith reviewed the actions taken by the Departments of State and Defense and the Foreign Operations Administration to expedite the transportation of refugees from the Indochina territory being taken over by the Communists. He pointed out that the Vietnamese had developed a good plan for moving the potential 250,000 refugees but that the United States must help implement it. He mentioned also the activities of the French Navy and Air Force.

It was indicated that major operating responsibility would rest with Mr. McClintock of the State Department until his departure for Indochina when Mr. Kenneth Young would take over.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By HHL NLE, Date 8-4-76

Publicity - Mr. Hagerty described the opportunity available for having a series of articles by Cabinet members published through a nationwide newspaper syndicate over a period of two months, and he indicated that arrangements would be handled through the departmental Public Relations Officers if the Cabinet approved the idea. The President stated that any articles should concentrate on showing the record of the Administration, and he suggested a specific article on improvements made in the functioning of the Government. The Cabinet agreed to utilize this offer.

Mr. Hagerty also noted the suggestion for a program at the New York Herald Tribune Forum on October 19th, featuring the Vice President and a number of Cabinet members in a round table discussion. The President expressed his hope that this could be done, again in terms of concentrating on the record, for he believed the time had long since passed for focusing on criticism of the previous Administration. Sec. Mitchell urged the President to make a brief television address on Labor Day to emphasize advances made in behalf of working men, not necessarily labor unions. The President requested Mr. Mitchell to discuss the possibility with Governor Adams.

Japanese Trade Negotiations - Sec. Weeks recalled his concern at the previous meeting in regard to the timing of items supplied to the Tariff Commission, and he described the concern of Chairman Hall and Congressional leaders. The President recalled Sec. Dulles' desire for rapid action but believed the subject might be reviewed. It was agreed that Sec. Weeks should send Gen. Smith a memorandum.

Southwest Washington Redevelopment - Mr. Flemming presented a memorandum concerning the Zeckendorf proposal for the redevelopment of the Southwest section of the District of Columbia. He noted some of the demolition policies involved but made clear that ODM favored the elimination of temporary buildings to be achieved through the redevelopment, and that the project could be carried through in such a way as to conform to dispersal policies.

The President noted the presentation Mr. Zeckendorf had made to him, with emphasis on the fact that Government capital would not be involved but that Government participation would be through a lease-purchase agreement.

There was a brief but inconclusive discussion of the pros and cons of the lease-purchase legislation pending in Congress.

Cabinet Schedule - It was agreed that any Cabinet meeting to be held during the following week might best be early in the week, and that subsequent Cabinet meetings would be on call as the need developed.

Sec. Weeks suggested the desirability of shifting Cabinet meetings to Wednesday when they were resumed in the Fall. Governor Adams indicated that further consideration would be given to the possibility.

* * *

The President brought the meeting to a close with a brief recital of the facilities for recreation and entertainment during the afternoon. The meeting adjourned at 1:33 P.M.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

STAFF WORK FOR THE PRESIDENT and the EXECUTIVE BRANCH

Presentation To The Cabinet

Since assuming office, the President has taken steps toward improving White House and Cabinet staff work.

Last year he created a Staff Secretary and a Secretary for the Cabinet.

At his recent request, I have again reviewed the progress which has been made in placing White House and Cabinet staff work on a more business-like basis.

Assisting me in this second undertaking has been Bradley Patterson, Jr. We have served together on several secretariat organization assignments in the government, and he has brought to this particular study wide knowledge and practical competence. The graphic materials used were provided by the Department of State's Division of Visual and Technical Services.

This review has convinced us first: that real progress has been achieved in the past year in making White House and Cabinet staff work time-saving and more effective and the Cabinet can take pride in the results to date.

This review has also convinced us that we should keep on the same road, and finish the creation of a system, so long familiar to the President in his previous experience, which will truly ensure good staff work for him and the Executive Branch.

What the President requires is an action system which will help him function as President. He is besieged by people and problems which demand his attention -- by questions which only he can decide.

How can he spread his time over these important matters?

How can he conserve himself for those problems which are presidential?

How can Department heads, in turn, be sure they know just what the President wants done on a particular matter?

The answer is an action system which guarantees to him that White House requests or decisions are transmitted to the right action point immediately, that they are made clear and specific so that action taken can be exactly responsive to what is asked for, and that there will be a systematic surveillance so that a Department head won't come back to the White House to find the President insisting that he had asked him to do something three months ago, and where are the results?

This system will provide a coordinating point to ensure for the President and his top aides that what comes back to them is in the shortest possible form, that it will come to them once, done right -- and not rebound two or three times, through four or five pairs of hands before it is completed properly.

Such a system will not only enforce the President's insistence on good staff work, but guide and assist the responsible officers and Agencies to produce acceptable work from the beginning.

This kind of positive staff service saves the time of Department heads as well as the President. Both they and the President can be guaranteed that proper information will flow in both directions to those who need to have it. In short, an effective action system allows the President, his top aides, and Department heads themselves to dismiss from their minds concern about the mechanics of getting good staff work in the Executive Branch.

Having sketched out roughly what a staff "action system" will do, let us look at the structure of our Executive Branch -- the surroundings within which a staff system is to function and the elements it will serve.

The President is supported by his personal staff of White House Assistants. In his Executive Office are his substantive staff arms -- filling a unique and vital role of inter-agency staff work -- as for instance by the Bureau of the Budget on appropriations requests and proposed legislation.

Directly responsible to the President also are the operating agencies of government -- over 50 of them.

How can a White House staff office fit into this picture and at the same time not violate the original proviso which the President laid down when he asked for this study: that nothing should restrict the President's direct contact with his Cabinet and Agency heads?

It is at this point that a strengthened "Staff and Cabinet Operations Office" is to be located. Like the other White House elements, it will be the President's staff -- serving him -- and them. It must not be an institution by itself.

It will work with the existing coordinating mechanisms at The Presidential level -- the Cabinet, Cabinet Committees and the NSC.

One of the major problems faced was: How can the Staff and Cabinet Operations Office -- sitting up here -- give that positive assistance to the responsible Agencies -- working with their organizations speedily, and informally - in order to help them do better staff work, to save their time as well as the President's?

In some Agencies, there is no one acting as a focal point for that Agency's staff work and whom White House or other Agencies' officers can consult without bothering the top-level line officers. This is a severe handicap to a good staff system.

Each Agency will shortly be invited by the White House to designate a competent officer in the Office of its Secretary, to be a Special Assistant for White House and Cabinet matters — a clearinghouse for problems of White House and Cabinet coordination.

Such an officer should be a staff officer — not a line official with major operating responsibilities. He would have to have the full, personal confidence of his Department head, and immediate access to him. He should have the ability to reach anywhere in his Agency and, on behalf of his Secretary, get action started or questions answered.

With staff links such as portrayed here, a fast inquiry on a routine problem — such as assignment or reminder of action, on clearance or on coordination — can be made by the Staff Secretary once, to one place, without bothering top-level line officials. A typical question from the Staff Secretary to a Departmental Special Assistant might be: "Does your boss know about this?" To have a knowledgeable officer to whom to direct this question is a matter of mechanics. But from the lack of such mechanics could come hours of lost motion.

The Departments have had many areas of functional specialists — for legislation, for public information, for personnel, for budget. These specialists work closely with their counterparts in the other Agencies and on the White House staff. The time is long overdue for the same solid relationships between the specialists in the vital business of top-level staff work.

A system of staff links, functioning in this manner, will free the lines of contact which the President, Governor Adams and the other White House Assistants have to various Agency officials, for the policy questions which are appropriately theirs. This system will thus act to support, and not alter, the relationship of each Department head to the President.

For the White House itself, there are several general maxims for speeding action through staff operations.

The first is that the White House will not do work which can be done elsewhere. It will send out to the responsible agencies all the requests and problems which those agencies can handle directly. It will also assign action out on a maximum amount of the preparatory work on Presidential matters.

In the second place, every such assignment on items for subsequent action will be covered through a foolproof suspense system.

Within the Agencies assigned action, responsibility for preparation of White House assignments implies an immediate triple task:

Producing the proper documentation;

Doing a complete job of lateral coordination with the other interested Agencies;

Preparing in a standard format a one-page Covering Brief.

Once the responsible agencies have made their full contribution, internal White House review, prior to final action, is of two kinds:

A review by the Staff and Cabinet Operations Office to ensure completed staff work. This Secretariat review is in no way a policy review.

The second kind of White House review -- by the White House Assistants on certain major issues and proposals -- grows out of the unique position of the President in the Executive Branch. *The President* must scrutinize an important proposal from any one *part* of his Executive Branch from the perspective of the *whole* of his government and its relation to his overall program. The President has had a recognized need for specially qualified personal assistants who can examine, from that unique White House perspective, the often divergent and sometimes competitive recommendations of individual agencies. These Assistants can advise the President as to whether an individual recommendation does or does not fit with his comprehensive objectives.

When the matter comes before the President for decision, this system of staff operations will have guaranteed that these seven steps of good staff work will have been done, and done right. He will not have to worry about them; he can conserve *his* attention for the function which is uniquely his: the decision.

Nor will he need concern himself about the follow-up of his decision. A working system of staff operations will ensure that his decision is recorded and then reported to the officer or Agency which must take action, and to others for information if necessary. He can also be sure that his decision will not evaporate in the limbo of the bureaucracy; he will hear from it again. Through selective progress reporting he or his staff will be able to keep track of it; and the President can be assured that he will be alerted if his own intervention is again needed.

This system is likewise going to see to it that no Department head is left wondering just what the President asked him to do, and when. It will help guarantee that a proposal to the President which vitally affects a given Department Head is not made unknowingly without that officer's being consulted.

Here is the Staff Secretary in action -- serving the President by standardizing these procedures of staff operations between the White House and the Executive Branch.

For assignment - this is the Route Slip which is now in use.

Special written directives will also be used.

For follow-up - this is a specimen of the type of suspense list which may be initiated.

As the last step in preparation - this is the type of Covering Brief which should appear on top of every sheaf of papers sent for action to the President or his top aides. In an unvarying format, and on one page it states the problem, gives the background, summarizes the reasoning, refers to the proper papers which are attached, explains what is being presented for action, tells the President what kind of wheels will turn when he makes his decision, gives him a specific recommendation, and tells him what other Agency heads concur.

The Staff Secretary's review is these six points:

Is this proposal necessary for the President personally to act on?

Is it responsive to what was requested?

Is it ready for action?

Is it consistent with other commitments and policies?

Have the appropriate Departments been consulted?

Is it timely?

How will it be implemented and followed up?

Here are two other extra features of a good staff system to which White House consideration is being given.

The first is a record of decisions -- a routine system for putting written and oral decisions into a daily summary which as a collection will be useful to the President and his top aides, and which can be extracted, with the pertinent extracts sent to the agencies and White House Assistants concerned.

The second is an Overnight Brief. The President must know what is going on -- in his Executive Branch, in the Congress, in the press, overseas. He can find out either by ploughing through various memoranda and reports, and by having his door opened or his telephone ring in the morning with someone saying, "Have you heard this?" But there is a more orderly way. All good newspapers have night staffs to produce current reports for their readers in the morning. The President of the United States and his Staff deserve equally systematic and comprehensive reporting.

The State Department has such a system every working day.

An overnight briefing staff could arrange, through the Departmental Special Assistants, to have selected informational material, normally destined for the President in separate pieces, sent to the White House in the late evening and early morning, and from it compile in an Overnight Brief for the President and his White House aides. This would in no way prevent the door-opening and telephoning, especially during the way -- but once the system got working, Agency heads and White House Assistants would, we believe, be glad to send their informational memoranda to a central point, with the sure knowledge that if the items are really important they will get to the President. Only information, no action items, should be presented in this fashion, though the President might wish to make notations on some of the items such as -- "See me before anything is done about this."

We emphasize that the mechanism for getting these staff operations done is this staff system -- functioning between the White House and the Agencies and among the Agencies themselves.

Turning to the Cabinet, we will show that techniques of good staff work can improve Cabinet meetings.

The President is using the Cabinet to get advice.

How can he be assured that this advice is the most thorough he can get, and that the Cabinet gives it to him with a minimum of lost motion? A Cabinet Operations Office -- in full operation -- is the staff device to be used.

Suggested items for Cabinet agendas can of course come from the President, from any Cabinet Department, or from the White House Assistants.

The Cabinet agenda is not the place, however, for items which are half ripe or hastily gathered just in order to have a full basket on Friday mornings.

The consideration of major items is going to result in waste motion for everyone around the Cabinet table unless the Cabinet Operations Office gets the opportunity to help the interested agencies to do some prior staff work.

Most major items should be anticipated -- and a single Department then given primary responsibility to carry the ball, to consult with other Departments involved and to produce a short paper in which there is careful analysis, a refining of the issues, an identification of the agreements and of any dissents, and a clear recommendation. It is then appropriate for placement on the Cabinet agenda.

The agenda, and its accompanying documents, should be circulated at least two days in advance.

At this point some homework is expected on the part of each Secretary who will be coming to that Cabinet meeting. His Special Assistant for Cabinet Matters will have arranged for as thorough study as is warranted -- within his Department -- on the items for discussion. The Special Assistant, together with appropriate Departmental specialists -- will brief their Secretary so that he comes to the Cabinet Room having been given all the facts and background at his Department's command to support his advice to his Chief.

The Cabinet advises the President, and the President makes the action decisions.

Second only to that principle are two other rules which are to form the boundaries of Cabinet staff work:

The secrecy of Cabinet discussions must be preserved with those attending feeling free to speak their minds, and yet on the other hand there must be no confusion down the line as to the President's decisions on Cabinet matters and as to the kind of action which is to be taken.

The NSC offers us an applicable model of a reporting system. During the meetings there is a sum-up of the consensus on each item before the group passes to the next. We will try this out in the Cabinet.

An ultra-succinct record of Presidential action is the only report circulated; the same is to be true with the Cabinet.

We intend that the Cabinet should have the benefit of the same kind of post-meeting staff coordination which the NSC Planning Board has developed. Following a Cabinet meeting the Cabinet Operations Officer will call together the appropriate Departmental Special Cabinet Assistants -- already familiar with the Cabinet items -- and give them a selective, repeat selective oral "debriefing." This debriefing is to consist of the minimum fill-in necessary to enable these Special Assistants to interpret the Action Record which they are going to receive, so they can help their Chiefs make certain that assignments are clearly understood and that action will get underway. All this will save the time of Cabinet members, and make positive that Under Secretaries or Assistant Secretaries will not unknowingly take actions contrary to Presidential decisions from Cabinet meetings.

Finally, the Cabinet Operations Office will routinely arrange for Progress Reports from the responsible Agencies on those decisions which ought to have such reporting.

Here is the Cabinet staff system as we expect it will be in operation -- through standardized Cabinet papers.

Papers awaiting Cabinet consideration will have a distinctive color, - if lengthy, will always have a brief, and will be circulated under a cover-page from the Cabinet Operations Officer with a number, title, and an explanation of its origin and status.

The Cabinet Paper will appear on the agenda, together with the name of the Secretary responsible for its presentation.

The Presidential Action Summary will be drafted by the Cabinet Operations Officer and presented for the approval which will signify decision. After the President's approval, the action summary will itself become the directive to the Departments.

The Cabinet Operations Office will incorporate the approved revisions and recirculate the paper in final form for action. If there needs to be a progress report later, this will be circulated simply for the Cabinet to note, and on paper distinctive to informational items.

We emphasize that these inflexible looking charts should not cause concern. Cabinet procedures will always have to remain flexible. Discussion of political or Party matters, for instance, will call for no staff work down the line and may be announced by occasional separate agendas labelled "For the Secretary Only." Not all Cabinet matters may require documentation, but unaccompanied items should be the exception. Even the frequent informational items now on Cabinet agendas should be accompanied by a one-page statement of the kinds of problems to be discussed.

Some Departments may have little interest in certain Cabinet items. This is to be expected, considering the diversity of Cabinet membership. The President, however, frequently uses his Cabinet as a group of statesmen, not just as individual Department heads. Staff work then is all the more necessary -- to brief a Secretary about an unfamiliar matter on which the President may nevertheless welcome his comments.

With thorough preparatory staff work assured, the President can expect that important and fruitful topics for discussion will be volunteered, and will not have to be extracted from the Departments.

Advance agendas should not be interpreted as preventing Department Heads from bringing up matters "off the cuff." We caution against the use of this period for major action proposals however. Neither in business nor in government should important decisions be reached without careful preparation. The reporting of vital actions, furthermore, is much more simplified and effective when all that needs to be said is "The President approves this paper."

It is to be emphasized again that all these operations will bog down if done by the White House alone. They must be the joint effort of the Cabinet Operations Office working intimately with the Departmental Special Assistants. The NSC staff numbers thirty, plus full-time officers in each Member Agency. The Cabinet deserves more man-hours for its staff work.

The final admonition -- that the Cabinet Operations Office is not a policy group -- cannot be repeated too often. In 1924, Lord Hankey laid down three maxims about the Secretariat:

> "It was not to interfere with the responsibility of the Departments;
>
> It was not to issue statements to the press.
>
> It was not to laugh at the jokes made by ministers, though a smile was permissible."

There are certain further aids to the Cabinet which the Staff and Cabinet Operations Office can perform.

Ad hoc Cabinet Committees are useful devices for preparing recommendations within specific problem-areas. Some ten of them have been appointed for such a purpose. The White House, through the Cabinet Operations Office needs some method of keeping in touch with these Cabinet Committees. A technique must be found to ensure that they have specific terms of reference and clear deadlines, that they don't overlap with one another, that they get off the ground without waste motion, that they produce reports which meet the staff work standards for Cabinet papers, that no fundamental issues are watered down or compromised out ahead of time, and that these Committees terminate when their task is done.

The technique we plan to use is to have the Cabinet Operations Office arrange for appropriate staff assistance to each Cabinet Committee. Linked in this fashion to the Cabinet Committees, the Cabinet Operations Office will be continuously informed as to what these committees are doing, and how their work is progressing.

The importance of good staff work for the Cabinet is underscored when one recalls that of these ten Cabinet Committees, four of them have been established in the last year to consider four major, controversial and complex areas of problems. Between next September and next March Members of the Cabinet will be giving advice to the President on such vital questions as minerals and metals, water resources, transport policy and energy resources. There will be lengthy studies and discussions. The best possible staff work is needed now to ensure that these studies and discussions will be cogent and will be helpful to the President.

A word about the Sub-Cabinet. Consideration should be given to having it handle those matters which its members can dispose of. Its Members may be too high level to act as a "Planning Board" considering Cabinet items and then passing them on for nearly duplicate consideration one level up. The Sub-Cabinet, when it meets, however, deserves to have the same staff services which have been described for the Cabinet itself.

We have portrayed a strengthened system for good staff work in the Executive Branch. It closely corresponds to the system of staff services which Secretary Forrestal and the first Hoover Commission finally recommended for the White House six years ago. As a result of wide informal consultation, we believe this strengthened system is realistic and feasible, and that it can be initiated immediately.

We end with a chart of the proposed Staff and Cabinet Operations Office -- a chart which of course is not final and which will be adapted to present needs. Heading this Office would be

A Staff Secretary to the President, and supporting him:
A Cabinet Operations Officer
A Staff Operations Officer
The Executive Clerk, and
An Assistant Staff Secretary for the administration of the White House Office.

The President turns to the White House Assistants, to the Departments and Agencies, to the Cabinet and its Committees, or to the NSC with his requests for policy recommendations, and advice and with his decisions for action. He himself receives requests for decisions, and receives policy recommendations and information.

The Staff Secretary's relationship to these substantive elements is that of ensuring coordination and of providing service and assistance.

To fulfill the heavier responsibilities which have just been described, it is expected that this Office will be strengthened by additional, trained people.

Before concluding, it would be pertinent to point out that some Departments have long had the benefits of their own internal staff systems, operating for their Secretaries much the same as this White House system will operate for the President. I believe General Smith and Mr. Stassen can best describe just how much their Departments' secretariats have meant to them. Secretary Hobby is perfecting these executive methods in her new Department. It can be emphasized that any such progress in internal staff work which individual Agencies may consider making would be very much in keeping with the goal toward which the White House is moving, and would be a particularly effective support to the functioning of the government-wide system described here this morning.

Our presentation is complete with our showing to you an advance information copy, in draft, of the handbook for Executive Branch staff work. This handbook incorporates six of the charts used this morning, plus more detailed spell-outs of the principles and procedures outlined.

It is expected that the Assistant to the President will sign the letter which introduces this handbook and that the President will then approve its distribution in the Executive Branch as the substantiation of his endorsement of these ideas, and as a guidebook for all those participating in good staff work for the President.

Cabinet Mtg. 5/13/54

STAFF WORK for THE PRESIDENT

and the Executive Branch

THE WHITE HOUSE
WASHINGTON

DRAFT

MEMORANDUM FOR

All Departments and Agencies
The White House Staff

A thorough review of staff work in the White House and with the Cabinet and the Executive Branch has been undertaken at the request of the President.

The highlights of this review are set forth in this booklet. It portrays the requirements for good staff work and prescribes the essential procedures for achieving this goal.

In addition to what we have already accomplished, the President now directs that the staff system described here be put into full operation and that the forms and procedures illustrated be followed as guides by the Departments and Agencies reporting to him.

The object is to expedite our work and to bring about a better functioning of the Executive Branch.

The President has asked that first attention be given to this important program.

SHERMAN ADAMS

THE PRESIDENT'S AND WHITE HOUSE STAFF'S WORK WITH THE EXECUTIVE BRANCH

Complex and urgent problems constantly come to the White House, compete for the President's attention and demand his decision.

How can the President spread his time over these important matters?

How can he be sure that his requests for recommendations or his decisions go quickly to the right place, are made clear and specific to those who must take action, and are handled on time?

How can it be guaranteed that his time will not be taken up with proposals which are unnecessary, unresponsive, lengthy or incomplete?

How can he be certain that necessary information on actions and results which either he, the White House Staff or the Executive Branch should have gets back and forth speedily?

THE ANSWER:

……………………

A FLEXIBLE AND RAPID SYSTEM FOR GOOD STAFF WORK.

THE PRESIDENT REQUIRES AN ACTION SYSTEM

which guarantees .....

INTERNAL SECURITY

FOREIGN TRADE

SOVIET AGGRESSION

RELATIONS WITH CONGRESS

THE PRESIDENT

NEW LEGISLATION

FARM PROBLEMS

DEFENSE

ALLIES

APPOINTMENTS

PRESIDENTIAL REQUESTS

FAST · CLEAR · FOLLOWED-UP

DEPARTMENTAL RESPONSES

BRIEF · ONCE · RIGHT

TIME SAVED

FULL INFORMATION

A SYSTEM OF GOOD STAFF WORK FOR THE EXECUTIVE BRANCH

Our Executive Branch consists of some 60 Agencies which report directly to the President.

An effective staff system must provide a means of speedy consultation - between the White House and these Agencies, and among the Agencies themselves

--Enabling the President with the assistance of the White House Staff to exercise proper direction, guidance and follow-up

--Enabling the Agencies to achieve quicker, surer coordination with each other on all top-level matters

--Supporting (but in no way altering) the direct line of authority and communication which the President has to each Agency head.

The Elements of the System

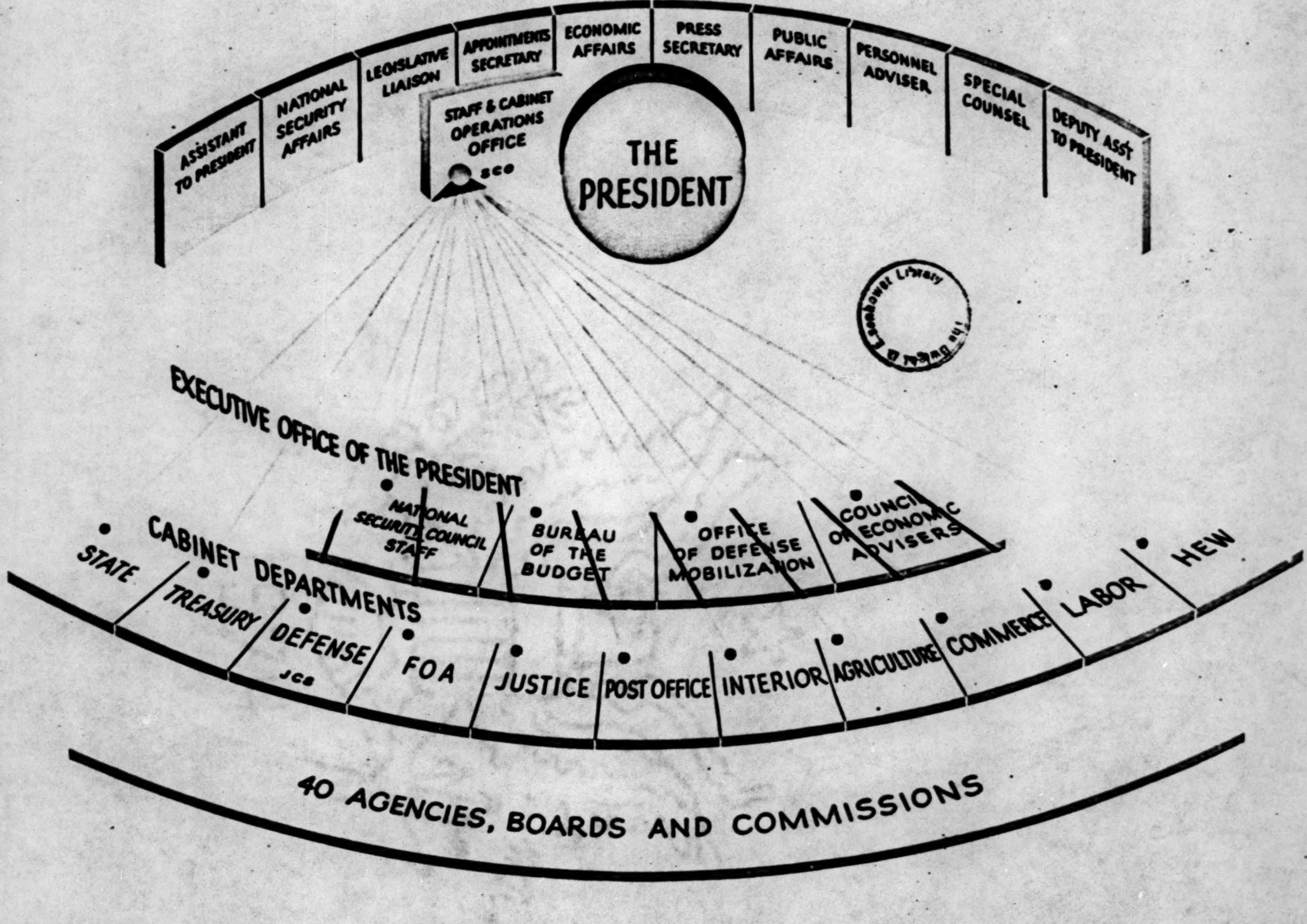
--In the White House, a small Staff Operations Office (not a massive Secretariat)

--Within this Staff, a Cabinet Operations Office

--Within each Agency, a focal point for coordinating and expediting White House and Cabinet matters.

Rapid communication between these points of contact will help keep all units of the Executive Branch working together, and will enable each Department and Agency head to do a better job of supporting the President while relieving all of them of the important but detailed management and follow-through required to effect good staff work.

This system will likewise assist the existing coordinating mechanisms (the NSC, the Cabinet, Cabinet Committees) to keep in step with one another, and will make them more useful to the President and the government as a whole.

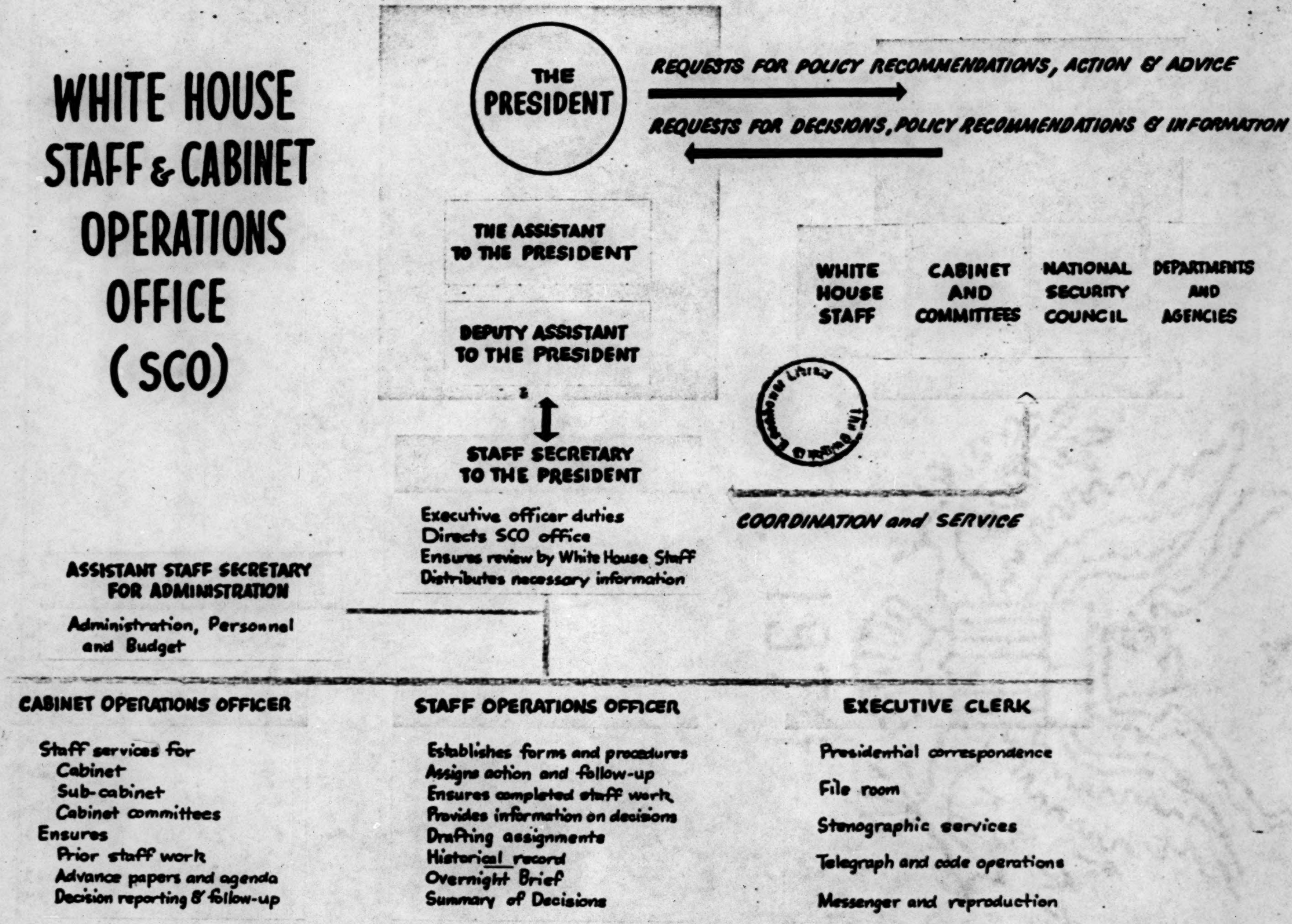

ASSISTANT TO PRESIDENT
NATIONAL SECURITY AFFAIRS
LEGISLATIVE LIAISON
APPOINTMENTS SECRETARY
ECONOMIC AFFAIRS
PRESS SECRETARY
PUBLIC AFFAIRS
PERSONNEL ADVISER
SPECIAL COUNSEL
DEPUTY ASS'T TO PRESIDENT
STAFF & CABINET OPERATIONS OFFICE
SCO
THE PRESIDENT
EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL STAFF
BUREAU OF THE BUDGET
OFFICE OF DEFENSE MOBILIZATION
COUNCIL OF ECONOMIC ADVISERS
CABINET DEPARTMENTS
STATE
TREASURY
DEFENSE
JCS
FOA
JUSTICE
POST OFFICE
INTERIOR
AGRICULTURE
COMMERCE
LABOR
HEW
40 AGENCIES, BOARDS AND COMMISSIONS

ORGANIZATION FOR STAFF WORK AT THE WHITE HOUSE

The Staff and Cabinet Operations Office in the White House is being perfected, as shown here, to assist the President and the members of the White House organization in providing improved coordination and management of all their work with the Cabinet and the Executive Branch.

The maxims and procedures of the operation of this Office, illustrated on the following pages as guides, require the cooperation of every Department and Agency head who transacts business with the President and the White House.

WHITE HOUSE STAFF & CABINET OPERATIONS OFFICE (SCO)



THE PRESIDENT

REQUESTS FOR POLICY RECOMMENDATIONS, ACTION & ADVICE →

← *REQUESTS FOR DECISIONS, POLICY RECOMMENDATIONS & INFORMATION*

WHITE HOUSE STAFF | **CABINET AND COMMITTEES** | **NATIONAL SECURITY COUNCIL** | **DEPARTMENTS AND AGENCIES**

THE ASSISTANT TO THE PRESIDENT

DEPUTY ASSISTANT TO THE PRESIDENT

↕

STAFF SECRETARY TO THE PRESIDENT

- Executive officer duties
- Directs SCO office
- Ensures review by White House Staff
- Distributes necessary information

COORDINATION and SERVICE

ASSISTANT STAFF SECRETARY FOR ADMINISTRATION

Administration, Personnel and Budget

CABINET OPERATIONS OFFICER

- Staff services for
  - Cabinet
  - Sub-cabinet
  - Cabinet committees
- Ensures
  - Prior staff work
  - Advance papers and agenda
  - Decision reporting & follow-up

STAFF OPERATIONS OFFICER

- Establishes forms and procedures
- Assigns action and follow-up
- Ensures completed staff work
- Provides information on decisions
- Drafting assignments
- Historical record
- Overnight Brief
- Summary of Decisions

EXECUTIVE CLERK

- Presidential correspondence
- File room
- Stenographic services
- Telegraph and code operations
- Messenger and reproduction

MAXIMS FOR GOOD STAFF WORK IN THE WHITE HOUSE

ASSIGNMENT

The White House should assign to the appropriate Agencies
- -- Action on items they can complete themselves
- -- A maximum amount of the preparatory work on Presidential matters.

Every action assignment by the President, the Assistant to the President, the Deputy Assistant or the SCO Office should be covered by a follow-up system which includes a current Suspense List.

PREPARATION

With every action assignment goes the implicit assignment of responsibility for lateral coordination with interested officers, Departments or Agencies.

All papers destined for the attention of the President or his top aides should come to them under a Covering Brief of standard format, prepared by the officer or Agency assigned action.

REVIEW

The White House Staff assists the President by reviewing every proposal for his action.
- --The Staff Secretary checks to see that each recommendation represents completed staff work
- --The White House Assistants check to see that any major proposal in the area of their special study is in accord with the President's overall objectives.

Action items, each under its Covering Brief, are transmitted through the Staff Secretary, who can objectively assist in determining priorities, keep the Assistant to the President informed, and arrange for proper presentation to the President.

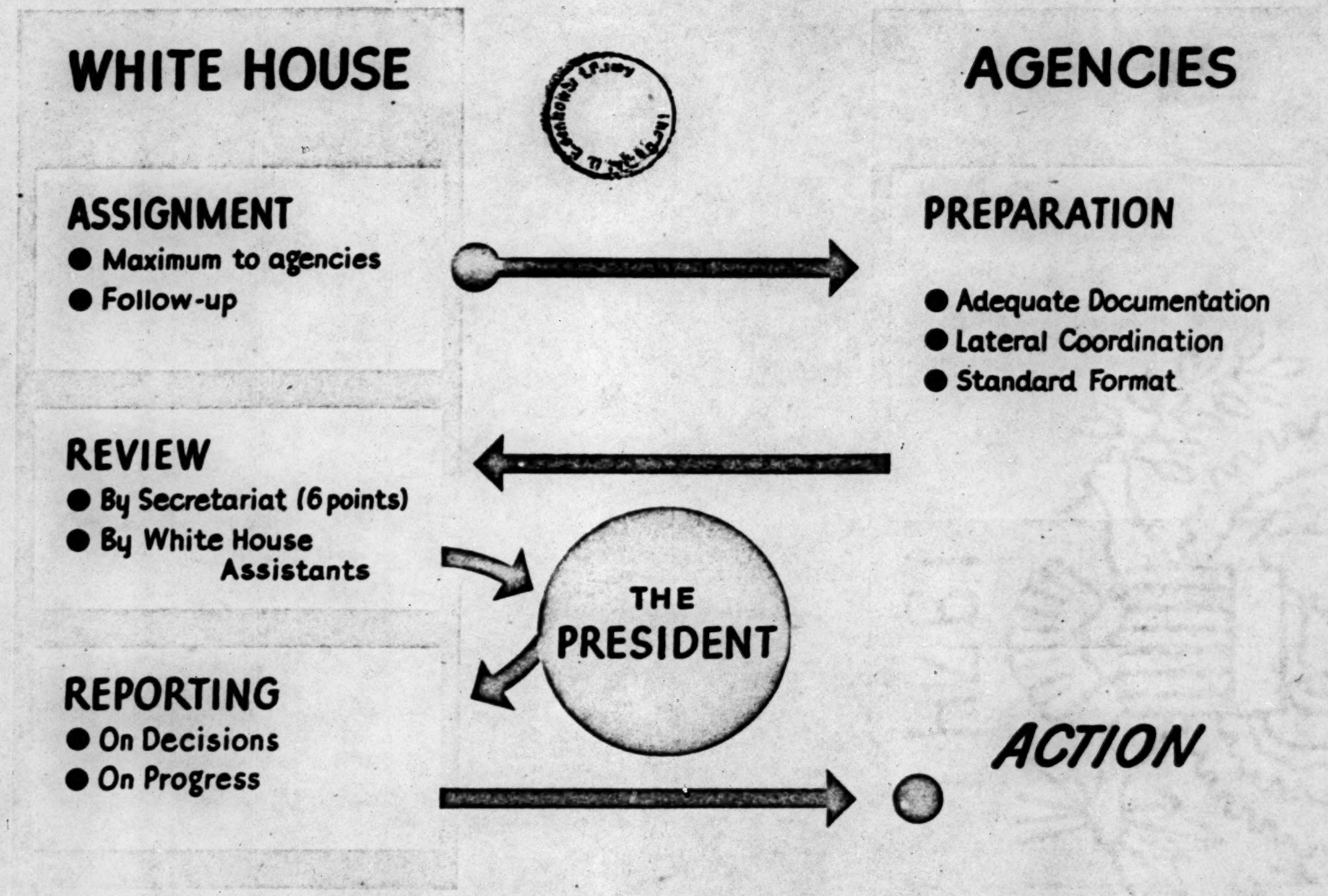
REPORTING

The Staff and Cabinet Operations Office acts as an instrument panel to ensure proper reporting and follow-up of Presidential decisions.

BASIC QUALIFICATIONS

The Staff Secretary and his assistants serve the President, but
- -- have no separate authority
- -- can never restrict communications between the President and his Agency heads
- --must never become an institution which limits the President in the way he conducts Executive Branch business.

SPEEDING ACTION THROUGH STAFF OPERATIONS



WHITE HOUSE

ASSIGNMENT
- Maximum to agencies
- Follow-up

REVIEW
- By Secretariat (6 points)
- By White House Assistants

REPORTING
- On Decisions
- On Progress

THE PRESIDENT

AGENCIES

PREPARATION
- Adequate Documentation
- Lateral Coordination
- Standard Format

ACTION

Action Assignment - THE ROUTE SLIP

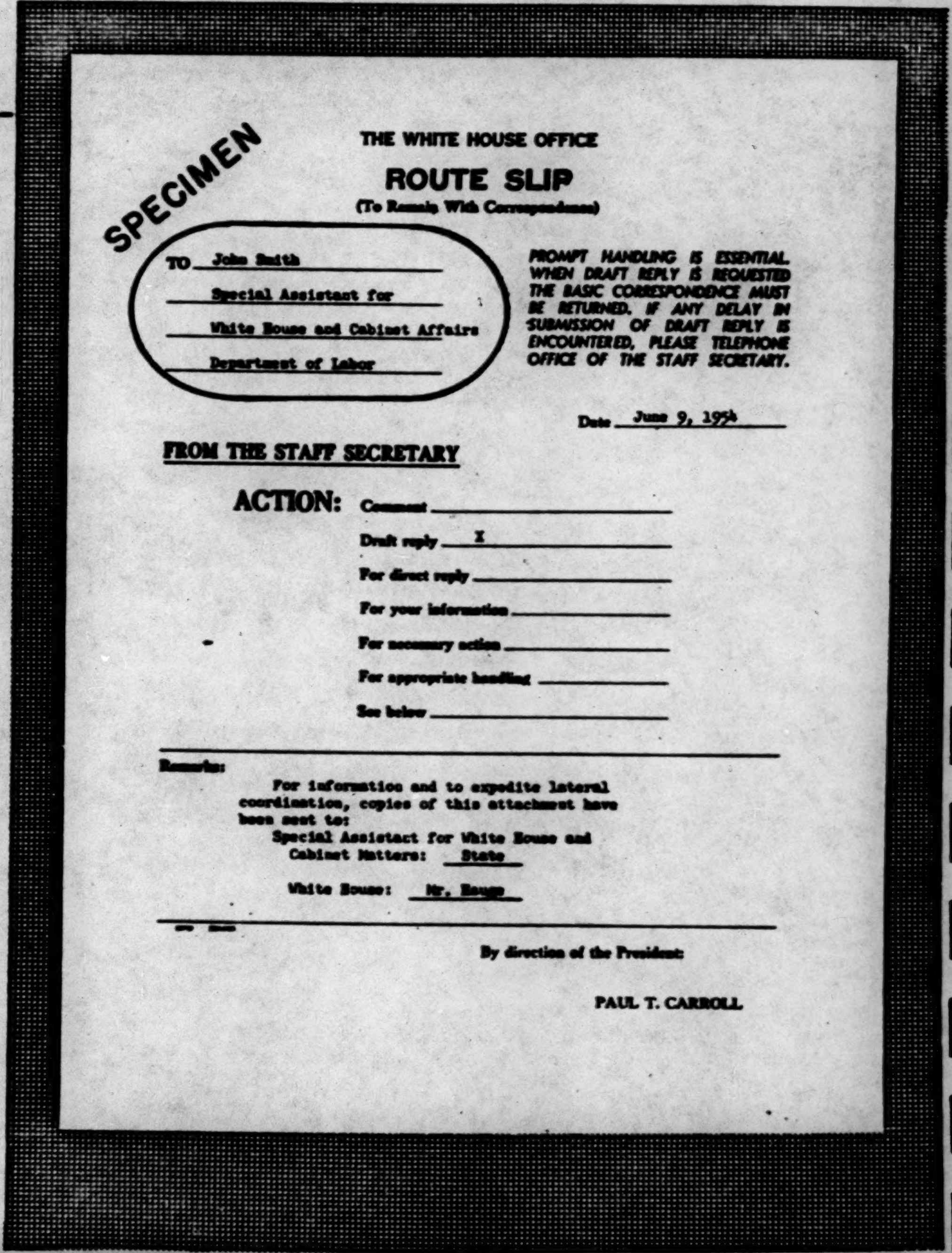
The Route Slip (or a special memorandum) is used by the Staff Secretary to transmit the requests of the President, of the Assistant to the President, of the Deputy Assistant and of the Staff and Cabinet Operations Office.

To speed up coordination without delaying action, photocopies of important outgoing assignments will occasionally be made by the SCO Office and simultaneously sent

--To the Assistant to the President

--To a White House Officer concerned

--To an interested Agency



SPECIMEN

THE WHITE HOUSE OFFICE

ROUTE SLIP

(To Remain With Correspondence)

TO John Smith
Special Assistant for
White House and Cabinet Affairs
Department of Labor

PROMPT HANDLING IS ESSENTIAL. WHEN DRAFT REPLY IS REQUESTED THE BASIC CORRESPONDENCE MUST BE RETURNED. IF ANY DELAY IN SUBMISSION OF DRAFT REPLY IS ENCOUNTERED, PLEASE TELEPHONE OFFICE OF THE STAFF SECRETARY.

Date June 9, 1954

FROM THE STAFF SECRETARY

ACTION:
Comment ____
Draft reply X
For direct reply ____
For your information ____
For necessary action ____
For appropriate handling ____
See below ____

Remarks:

For information and to expedite lateral coordination, copies of this attachment have been sent to:
Special Assistact for White House and Cabinet Matters: State

White House: Mr. Hauge

By direction of the President:

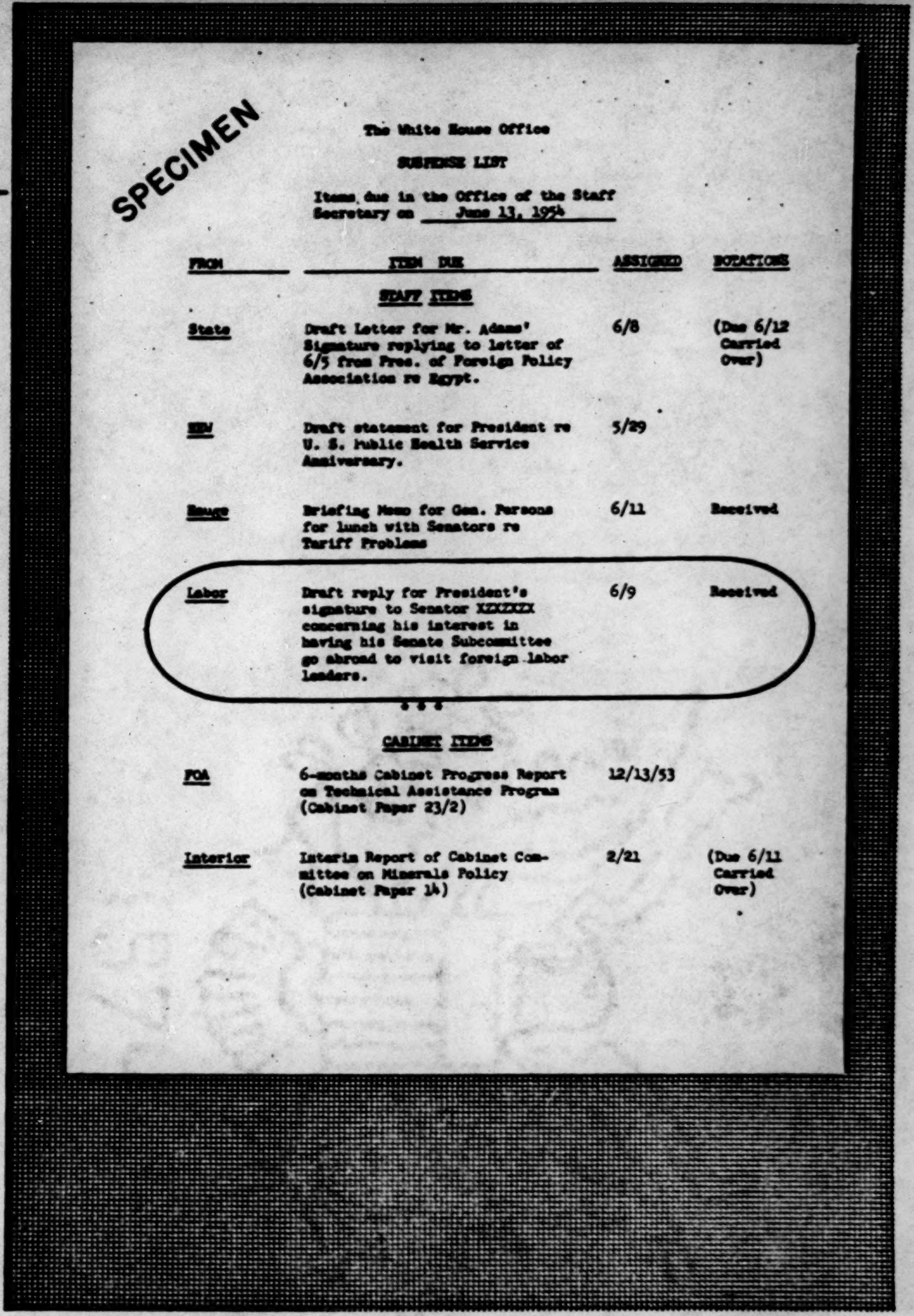
PAUL T. CARROLL

Action Assignment - THE SUSPENSE LIST

Copies of each Route Slip requesting material to be returned, and of special assignment memoranda from the President, the Assistant to the President, the Deputy Assistant and the SCO Office are automatically sent to the Executive Clerk who has them kept in a sequential file.

At the end of each day, the Executive Clerk has a Suspense List composed of all the items in this file - both Cabinet and non-Cabinet matters - which will be due in the Staff Secretary's office during the following day.

The Suspense List is used by the SCO Office for follow-up and is available to the Assistant to the President and the Deputy Assistant as a means of keeping track of every major action assignment. The Executive Clerk, assisted by the Staff and Cabinet Operations Officers, will delete items from the List as they come through.



SPECIMEN

The White House Office

SUSPENSE LIST

Items due in the Office of the Staff
Secretary on June 13, 1954

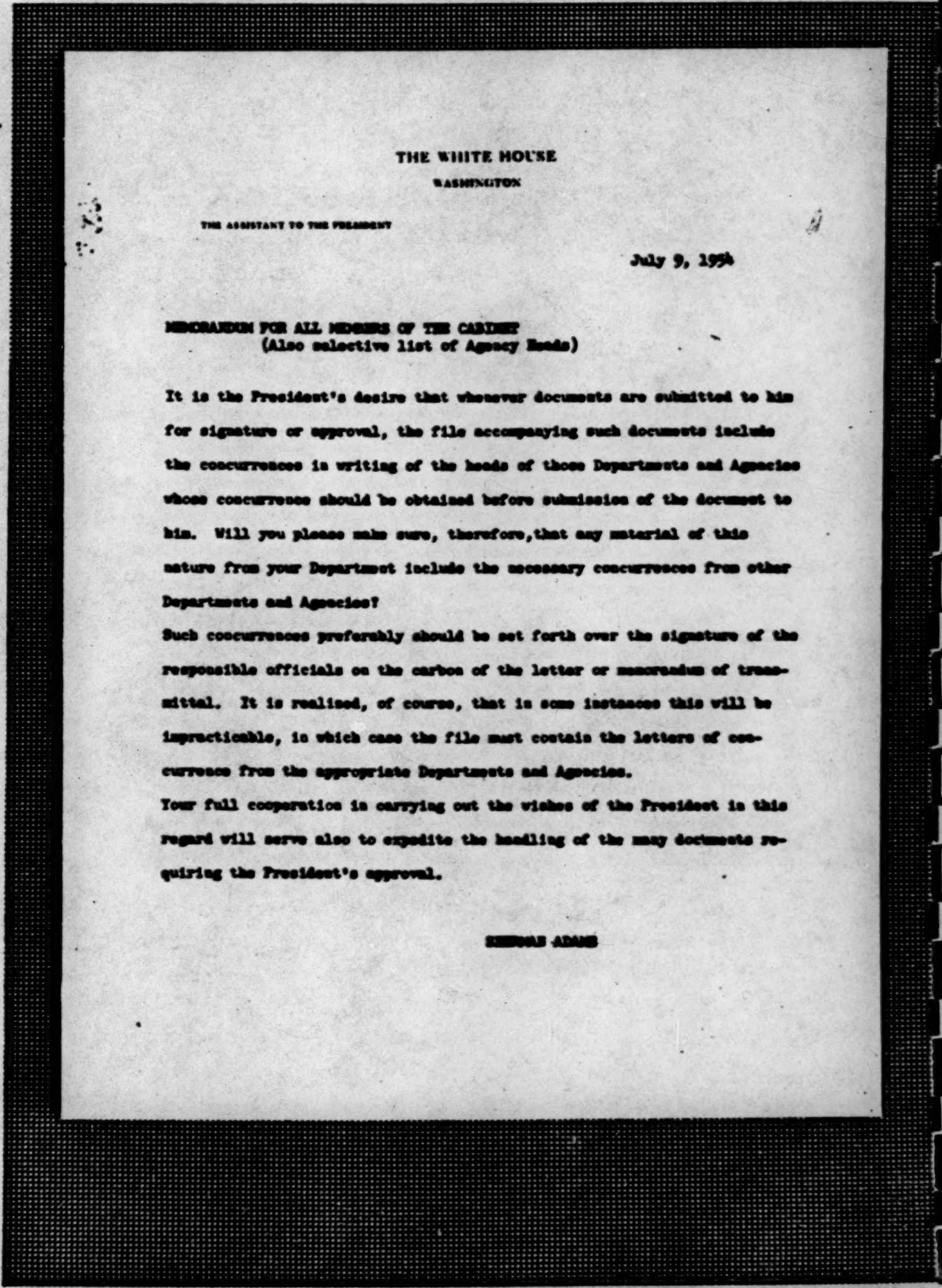
FROM	ITEM DUE	ASSIGNED	NOTATIONS
	STAFF ITEMS		
State	Draft Letter for Mr. Adams' Signature replying to letter of 6/5 from Pres. of Foreign Policy Association re Egypt.	6/8	(Due 6/12 Carried Over)
HEW	Draft statement for President re U. S. Public Health Service Anniversary.	5/29	
Hauge	Briefing Memo for Gen. Persons for lunch with Senators re Tariff Problems	6/11	Received
Labor	Draft reply for President's signature to Senator XXXXXXX concerning his interest in having his Senate Subcommittee go abroad to visit foreign labor leaders.	6/9	Received
	* * *		
	CABINET ITEMS		
FOA	6-months Cabinet Progress Report on Technical Assistance Program (Cabinet Paper 23/2)	12/13/53	
Interior	Interim Report of Cabinet Committee on Minerals Policy (Cabinet Paper 14)	2/21	(Due 6/11 Carried Over)

THE DIRECTIVE OF JULY 9

The Agency (or White House Officer) assigned action should complete all necessary lateral coordination before returning any item for final action.

The Staff and Cabinet Operations Office will usually indicate the minimum lateral coordination required, and stands ready to assist any Agency (or White House Officer) in expediting this coordination.

The Special Assistants in the individual Agencies should be used by the action Agency (or White House Officer) as a fast, central mechanism for completing lateral coordination.



THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

July 9, 1954

MEMORANDUM FOR ALL MEMBERS OF THE CABINET
(Also selective list of Agency Heads)

It is the President's desire that whenever documents are submitted to him for signature or approval, the file accompanying such documents include the concurrences in writing of the heads of those Departments and Agencies whose concurrence should be obtained before submission of the document to him. Will you please make sure, therefore, that any material of this nature from your Department include the necessary concurrences from other Departments and Agencies?

Such concurrences preferably should be set forth over the signature of the responsible officials on the carbon of the letter or memorandum of transmittal. It is realized, of course, that in some instances this will be impracticable, in which case the file must contain the letters of concurrence from the appropriate Departments and Agencies.

Your full cooperation in carrying out the wishes of the President in this regard will serve also to expedite the handling of the many documents requiring the President's approval.

SHERMAN ADAMS

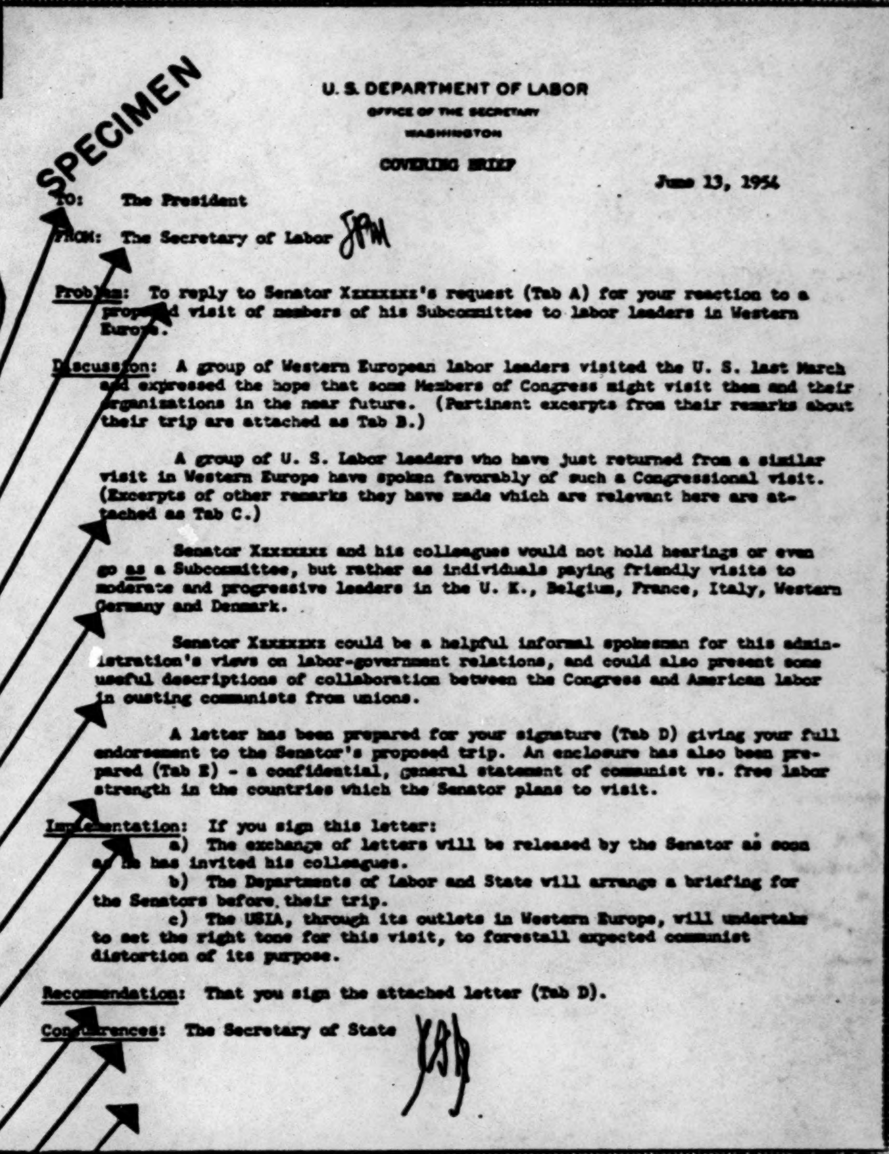
Preparation - THE COVERING BRIEF

Every item for action (except personal correspondence) which comes to the desk of the President, the Assistant to the President or the Deputy Assistant should be under a standard Covering Brief.

Length: One page.

Format and content: As specified in this sample.

Primary responsibility for this Brief belongs with the Agency or officer assigned action. The Brief must be signed by the head of the Agency or his designee.



SPECIMEN

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

COVERING BRIEF

June 13, 1954

TO: The President

FROM: The Secretary of Labor JPM

Problem: To reply to Senator Xxxxxxxx's request (Tab A) for your reaction to a proposed visit of members of his Subcommittee to labor leaders in Western Europe.

Discussion: A group of Western European labor leaders visited the U. S. last March and expressed the hope that some Members of Congress might visit them and their organizations in the near future. (Pertinent excerpts from their remarks about their trip are attached as Tab B.)

A group of U. S. Labor leaders who have just returned from a similar visit in Western Europe have spoken favorably of such a Congressional visit. (Excerpts of other remarks they have made which are relevant here are attached as Tab C.)

Senator Xxxxxxxx and his colleagues would not hold hearings or even go as a Subcommittee, but rather as individuals paying friendly visits to moderate and progressive leaders in the U. K., Belgium, France, Italy, Western Germany and Denmark.

Senator Xxxxxxxx could be a helpful informal spokesman for this administration's views on labor-government relations, and could also present some useful descriptions of collaboration between the Congress and American labor in ousting communists from unions.

A letter has been prepared for your signature (Tab D) giving your full endorsement to the Senator's proposed trip. An enclosure has also been prepared (Tab E) - a confidential, general statement of communist vs. free labor strength in the countries which the Senator plans to visit.

Implementation: If you sign this letter:

a) The exchange of letters will be released by the Senator as soon as he has invited his colleagues.

b) The Departments of Labor and State will arrange a briefing for the Senators before their trip.

c) The USIA, through its outlets in Western Europe, will undertake to set the right tone for this visit, to forestall expected communist distortion of its purpose.

Recommendation: That you sign the attached letter (Tab D).

Concurrences: The Secretary of State

STANDARD FORMAT

AUTHORIZED SIGNATURE

EXACTLY WHAT IS BEING ASKED

RELEVANT ATTACHMENTS REFERRED TO

NECESSARY BACKGROUND

REASONING

WHAT IS BEING PRESENTED

WHAT WILL BE DONE NEXT -- WHO WILL FOLLOW UP -- AND HOW

SPECIFIC RECOMMENDATION

LATERAL COORDINATION

SPACE FOR WHITE HOUSE NOTATIONS

Review - BY THE STAFF SECRETARY

The Staff Secretary goes through the following check-list for each proposal directed for action to the President, the Assistant to the President or the Deputy Assistant:

✓ IS IT NECESSARY?

- -- Must the action be taken at this level?
- -- Could it be handled by the responsible Agency or by one of the White House Assistants directly?

✓ IS IT RESPONSIVE?

- -- Is it exactly what was asked for?

✓ IS IT READY FOR ACTION?

- -- Is there a Covering Brief, as specified on page 13?
- -- Does it leave any questions unanswered?
- -- Is there a specific paper to sign or approve?
- -- Are the other relevant papers referred to and attached?

✓ IS IT TIMELY?

- -- Has anything just occurred which should modify this action?

✓ IS IT CONSISTENT?

- -- Does it go counter to any previous commitments in the record?
- -- Might it be at cross-purposes with what any other element of the government is doing?
- -- In other words, does it show adequate lateral coordination?

✓ HOW WILL IT BE FOLLOWED UP?

- -- By whom and in what way?
- -- Would its method of implementation be such as to affect other commitments or other actions?
- -- After how long?

Review - BY THE WHITE HOUSE ASSISTANTS

The President is unique in the Executive Branch

--He is concerned with everything his administration does, and not with merely a part of it

--He alone is responsible to the American electorate

--He is the central spokesman to the Congress concerning his legislative program as a whole

--He is chief of his Party

--There is no "next level" to review his decisions; they are final and must be right.

The Agencies under the President have no such responsibility for the whole of government.

Even after the finest staff work, their individual recommendations to the President are frequently divergent and even competitive.

The President has a recognized need for special advisers to help him look at the problems of government from that unique White House perspective.

Among the duties of the White House Staff, there, is that of being available, at the request of the President, to review certain major proposals being made to him, asking of each one:

✓ Will it advance the President's overall objectives?

✓ Will it gain or lose important popular or political support?

✓ What will be its effect on the Congress and on the President's overall legislative program?

✓ Are the alternatives given genuine alternatives, or is there still another course of action open to the President?

One of the duties of the Staff Secretary is to make certain that the appropriate White House Assistants have the opportunity to give this review to all matters which need it.

PRESENTATION

Items ready for action are presented through the Staff Secretary, who aids the Assistant to the President in determining

--What the urgency is (measured objectively in terms of the requirements of the President and as compared with the other demands on his time)

--When the best occasion will be for presentation

--Whether the matter needs to be supplemented by oral briefing, and who should handle this.

REPORTING

The Staff Secretary will be responsible for determining

--How the decisions of the President, the Assistant to the President and the Deputy Assistant are to be recorded

--To whom he should report them
  -- for action
  -- for information

--The kind of progress report, if any, which should be made, who is to prepare it, and when.

IN GENERAL

It is often necessary for White House Staff members or Agency heads to deal orally with the President. Oral recommendations, discussions and decisions are part of the normal way of getting things done, but they have their pitfalls. They are apt to lead to inadequate lateral coordination and uncertainties regarding decisions and follow-up. Business handled orally outside the staff system should be reported promptly to the normal action channels to ensure that mistakes are not in the making, and to prevent lost papers, lost decisions and lost actions.

This staff system is to be kept flexible - so that it can

--work speedily and smoothly under heavy pressure

--be adaptable for handling varying demands and problems.

GOOD STAFF WORK FOR THE CABINET

Procedures are required

- To ensure that Cabinet recommendations grow out of careful prior study with adequate advance briefing of those participating.
- To help Cabinet Members take a more effective part in Cabinet deliberations.
- To ensure that the President's decisions are reported clearly, specifically and fully enough to permit prompt and responsive action.
- To help guarantee that there will be no lost decisions or neglected actions.

Taking into consideration the special nature of the U.S. Cabinet, improved techniques exist, and can be applied from NSC and other government experience.

MAXIMS FOR STAFF WORK WITH THE CABINET

PRIOR STAFF WORK

Before suggested items for important action are even placed on the Cabinet agenda, prior interagency consultation is required--to ensure that the President and the Cabinet have the benefit of documentation with careful analysis, issues clearly defined and with agreements and disagreements identified.

AGENDAS

Items placed on the agenda should be accompanied by documents.

Long documents should be preceded by Briefs.

Agendas and documents should be distributed two days in advance.

Each Agency's Special Assistant for Cabinet matters is expected to ensure that his Agency gives careful internal study to Cabinet Papers and that his Secretary is fully briefed before Cabinet meetings.

Each agenda should end with the item "OPEN DISCUSSION."

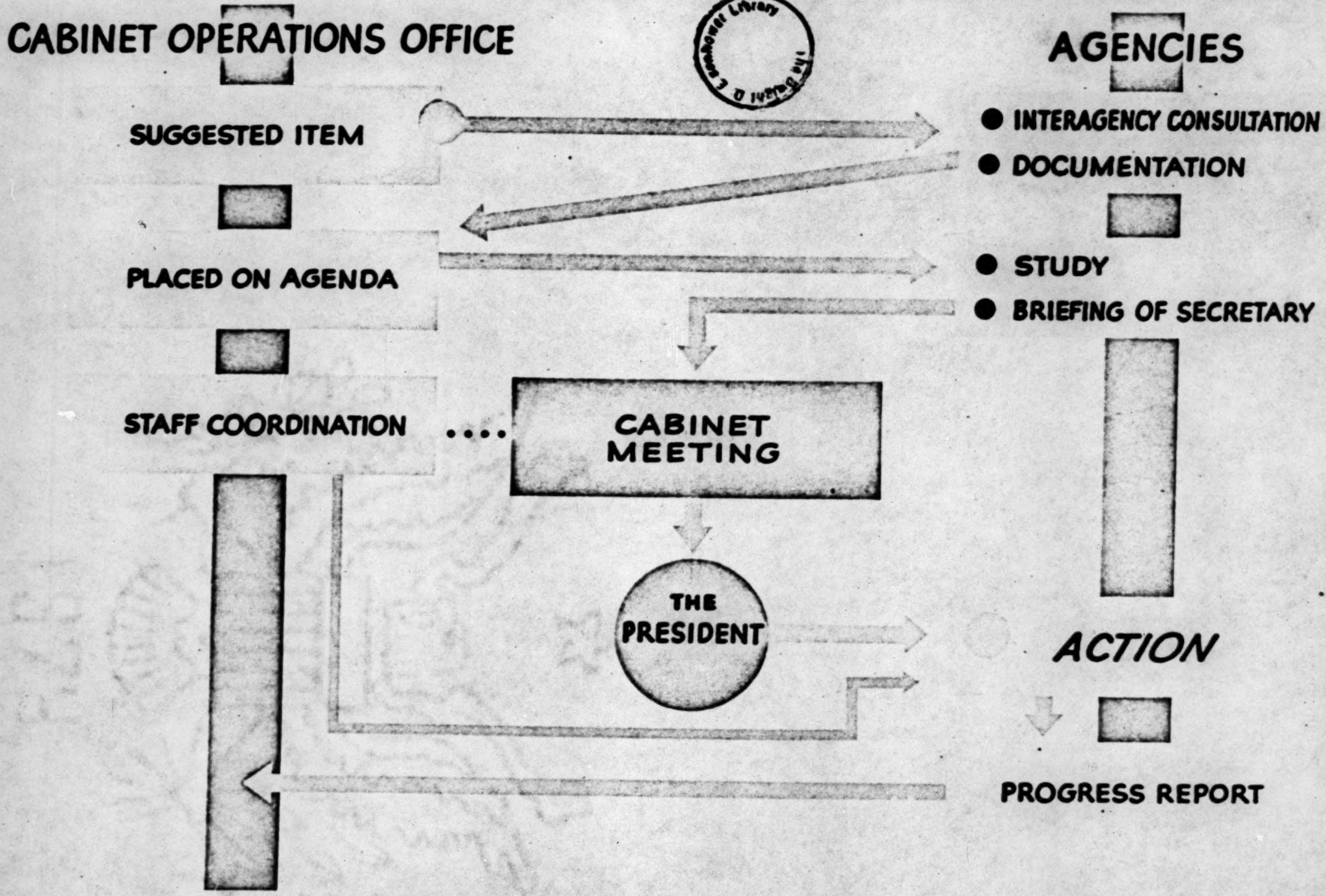
REPORTING

The President's decisions on Cabinet recommendations should be recorded, when made, in a succinct Presidential Action Summary.

Shortly after each Cabinet meeting, the Cabinet Operations Officer should, as a matter of staff coordination, give a selective oral debriefing to the appropriate Departmental Special Assistants.

Responsible Agencies should submit Progress Reports on major actions requested by the President on Cabinet matters.

STAFF WORK IMPROVES CABINET MEETINGS



CABINET OPERATIONS OFFICE

SUGGESTED ITEM

PLACED ON AGENDA

STAFF COORDINATION ....

AGENCIES

- ● INTERAGENCY CONSULTATION
- ● DOCUMENTATION
- ● STUDY
- ● BRIEFING OF SECRETARY

CABINET MEETING

THE PRESIDENT

ACTION

PROGRESS REPORT

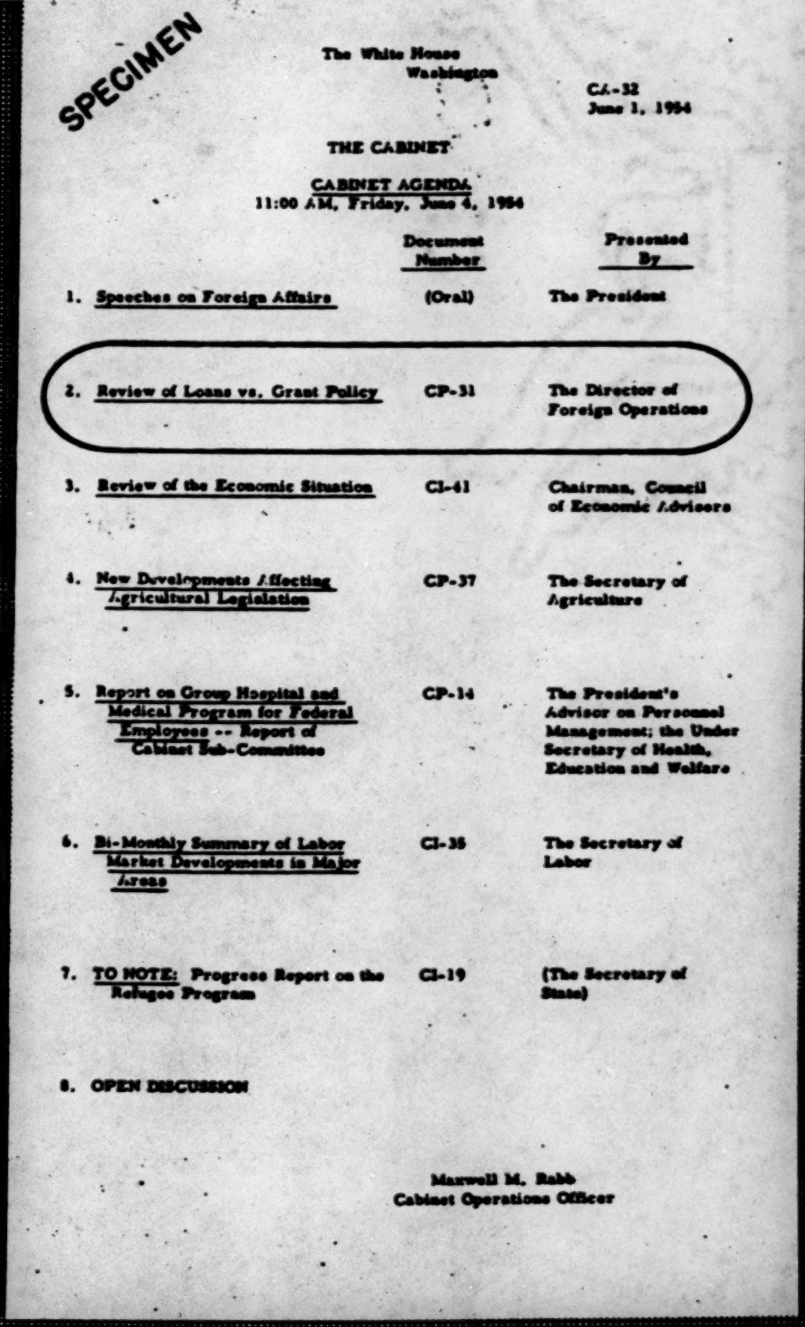
THE CABINET AGENDA

Major items should reach this agenda only after they have undergone some joint study by the interested Agencies - as in the NSC Planning Board--refining the problems, spelling out the agreements and identifying the disagreements.

This study can be arranged on an ad hoc basis by the Cabinet Operations Officer, working through the appropriate Departmental Special Assistants.

Each agenda item, other than the most exceptional cases, should be accompanied by a document, if only a one-paragraph description of a proposed informational item.

Cabinet agendas and documents are to be distributed at least two days in advance of the Cabinet meeting, two copies of each going directly to the Departmental Special Assistants for Cabinet Matters.



SPECIMEN

The White House
Washington

CA-32
June 1, 1954

THE CABINET

CABINET AGENDA
11:00 AM, Friday, June 4, 1954

	Document Number	Presented By
1. Speeches on Foreign Affairs	(Oral)	The President
2. Review of Loans vs. Grant Policy	CP-31	The Director of Foreign Operations
3. Review of the Economic Situation	CI-41	Chairman, Council of Economic Advisors
4. New Developments Affecting Agricultural Legislation	CP-37	The Secretary of Agriculture
5. Report on Group Hospital and Medical Program for Federal Employees -- Report of Cabinet Sub-Committee	CP-14	The President's Advisor on Personnel Management; the Under Secretary of Health, Education and Welfare
6. Bi-Monthly Summary of Labor Market Developments in Major Areas	CI-35	The Secretary of Labor
7. TO NOTE: Progress Report on the Refugee Program	CI-19	(The Secretary of State)
8. OPEN DISCUSSION		

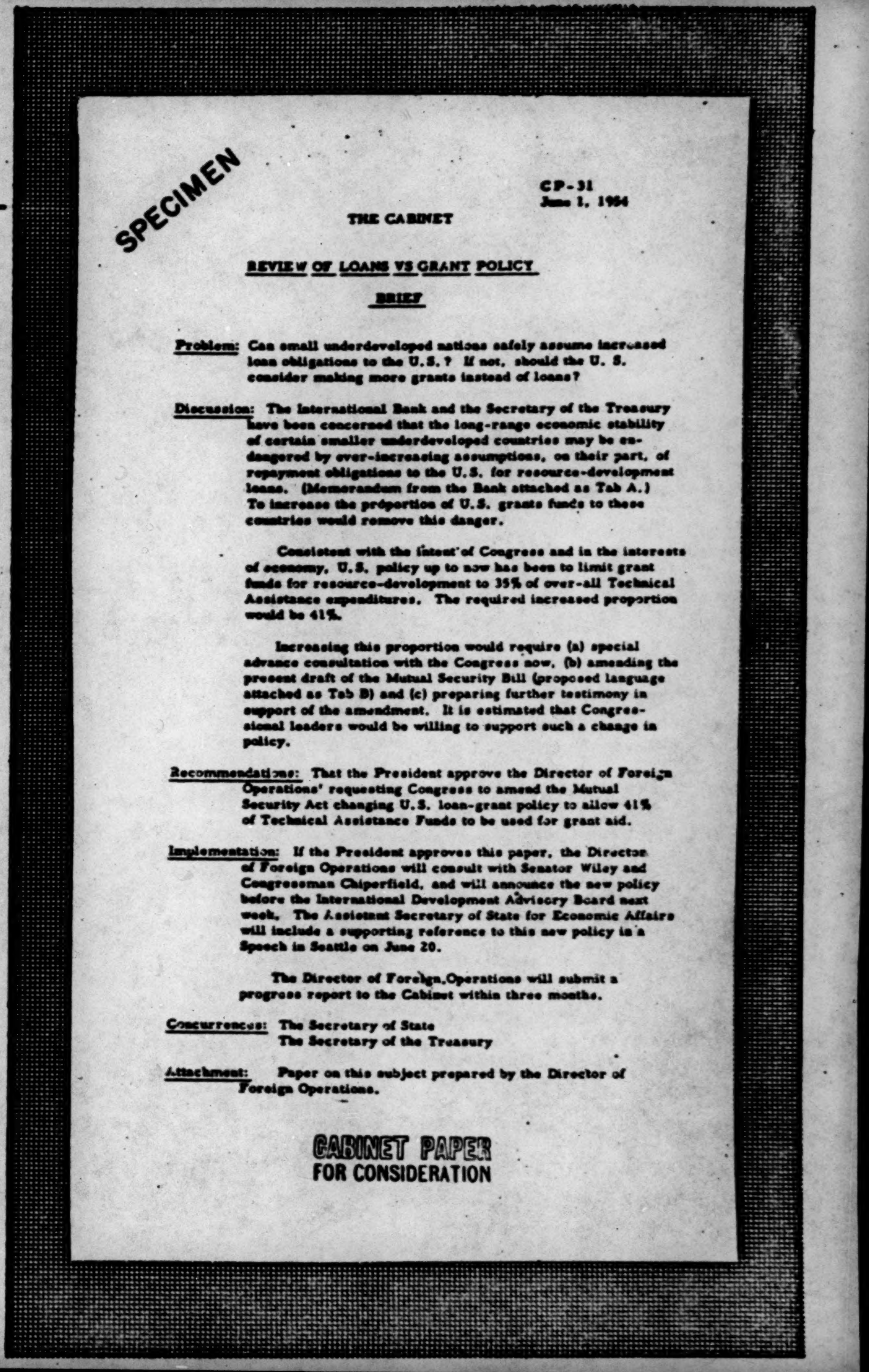
Maxwell M. Rabb
Cabinet Operations Officer

THE CABINET BRIEF

Cabinet Papers which are over one page in length are to be accompanied by a one-page Brief, to be prepared by the responsible Agency.

The Brief should follow the five-section format specified here.

Cabinet Briefs and Papers which are awaiting Cabinet discussion will be reproduced by the Cabinet Operations Office on blue paper. When approved by the President they will be reproduced, with any necessary revisions, on white paper as final documents for action.



SPECIMEN

CP-31
June 1, 1954

THE CABINET

REVIEW OF LOANS VS GRANT POLICY

BRIEF

Problem: Can small underdeveloped nations safely assume increased loan obligations to the U.S.? If not, should the U. S. consider making more grants instead of loans?

Discussion: The International Bank and the Secretary of the Treasury have been concerned that the long-range economic stability of certain smaller underdeveloped countries may be endangered by ever-increasing assumptions, on their part, of repayment obligations to the U.S. for resource-development loans. (Memorandum from the Bank attached as Tab A.) To increase the proportion of U.S. grants funds to these countries would remove this danger.

Consistent with the intent of Congress and in the interests of economy, U.S. policy up to now has been to limit grant funds for resource-development to 35% of over-all Technical Assistance expenditures. The required increased proportion would be 41%.

Increasing this proportion would require (a) special advance consultation with the Congress now, (b) amending the present draft of the Mutual Security Bill (proposed language attached as Tab B) and (c) preparing further testimony in support of the amendment. It is estimated that Congressional leaders would be willing to support such a change in policy.

Recommendations: That the President approve the Director of Foreign Operations' requesting Congress to amend the Mutual Security Act changing U.S. loan-grant policy to allow 41% of Technical Assistance Funds to be used for grant aid.

Implementation: If the President approves this paper, the Director of Foreign Operations will consult with Senator Wiley and Congressman Chiperfield, and will announce the new policy before the International Development Advisory Board next week. The Assistant Secretary of State for Economic Affairs will include a supporting reference to this new policy in a Speech in Seattle on June 20.

The Director of Foreign Operations will submit a progress report to the Cabinet within three months.

Concurrences: The Secretary of State
The Secretary of the Treasury

Attachment: Paper on this subject prepared by the Director of Foreign Operations.

CABINET PAPER
FOR CONSIDERATION

THE CABINET PAPER

All Cabinet Papers (with their Briefs) and Progress Reports are as a matter of routine circulated under the standard format Cover Page of the Cabinet Operations Office.

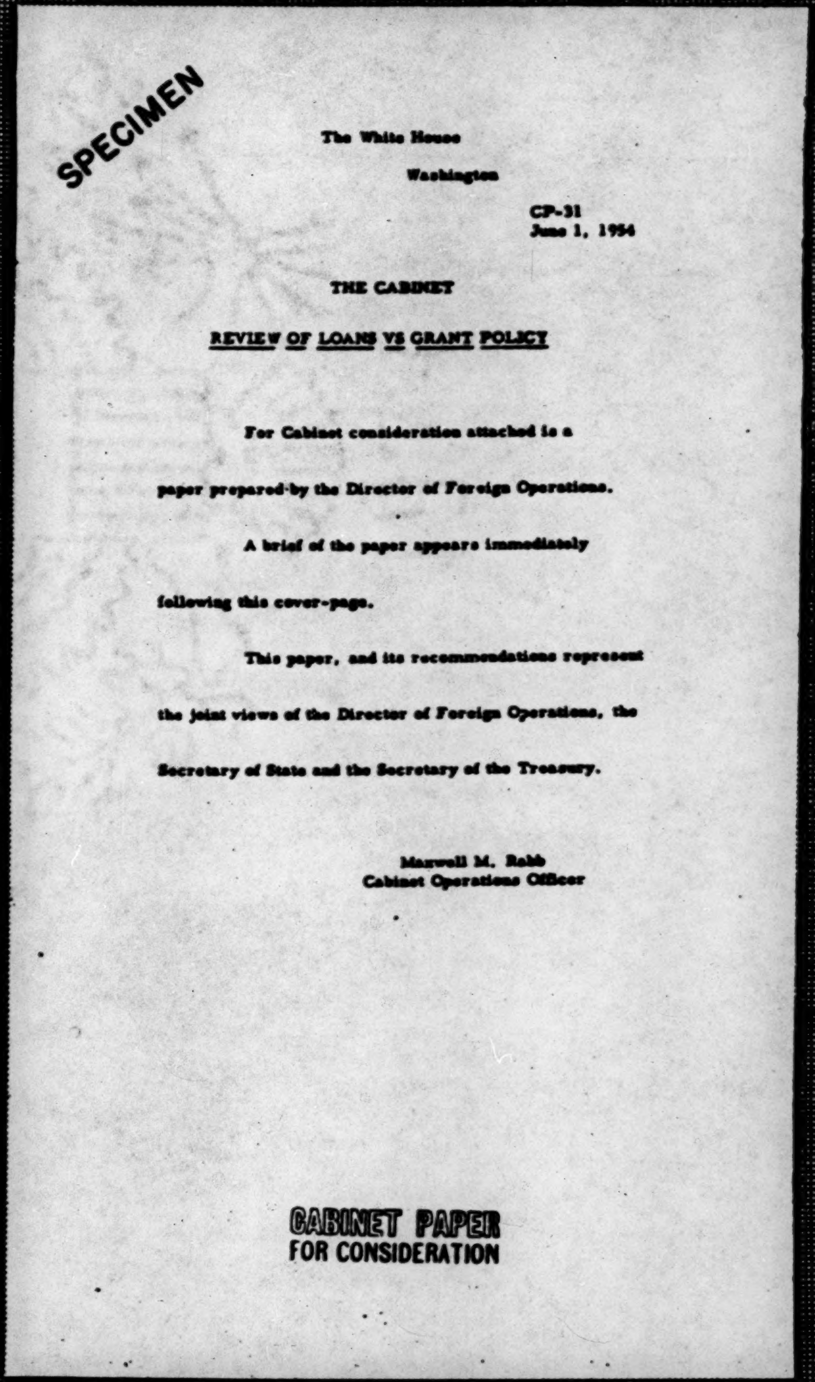
This Cover Page assigns the number of the document, explains its status and origin, and gives other brief necessary background information about the document attached.

Cabinet Papers are to be prepared by the responsible Agency, after appropriate interagency consultation. They should follow the same five-section format specified for the Cabinet Brief (page 21).

The Cabinet Operations Office will normally reproduce Cabinet Papers from stencils prepared by the responsible Agency, and will circulate copies enough in advance of the meeting

--To enable each Cabinet Department to give the Paper adequate study

--To enable each Departmental Special Assistant to brief his Secretary fully before the meeting.



SPECIMEN

The White House

Washington

CP-31
June 1, 1954

THE CABINET

REVIEW OF LOANS VS GRANT POLICY

For Cabinet consideration attached is a paper prepared by the Director of Foreign Operations.

A brief of the paper appears immediately following this cover-page.

This paper, and its recommendations represent the joint views of the Director of Foreign Operations, the Secretary of State and the Secretary of the Treasury.

Maxwell M. Rabb
Cabinet Operations Officer

CABINET PAPER
FOR CONSIDERATION

CABINET REPORTING AND FOLLOW-UP

On major Cabinet recommendations, the President may frequently wish to defer his decision for several hours or days to allow for thorough reflection and consideration.

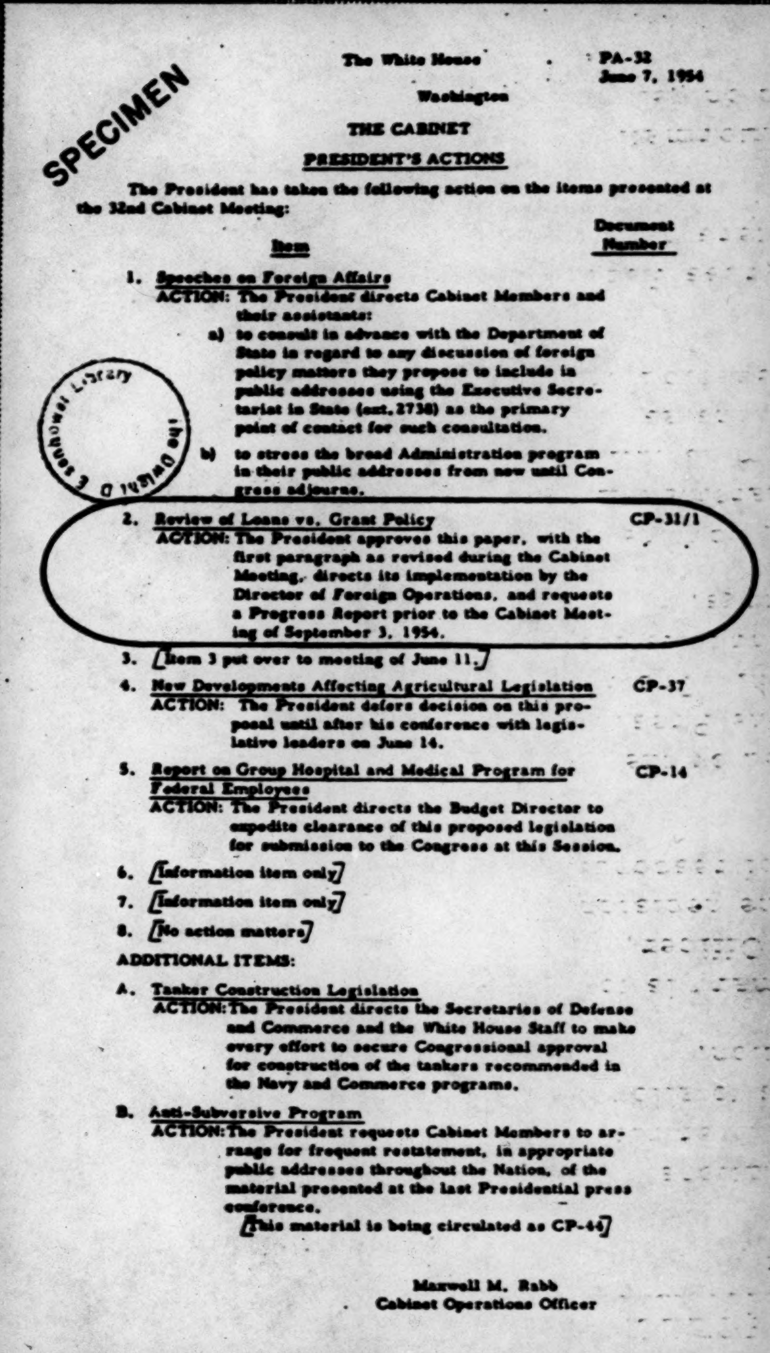
The Presidential Action Summary is to be drafted by the Cabinet Operations Officer, clearly specifying for each item the decision, the action required and the locus of responsibility.

This Summary, when approved by the President, is itself to constitute the President's directive to the agencies for action. The Summary is to be the only written record distributed of the results of Cabinet meetings.

The selective oral "debriefing" by the Cabinet Operations Officer to the Departmental Special Assistants should give them as full information about Cabinet discussions as is necessary to get assignments understood and action under way.

When appropriate, brief Progress Reports should be submitted on major matters by the responsible agency.

Progress Reports and other informational Cabinet Papers will be reproduced on yellow paper.



SPECIMEN

The White House
Washington

PA-32
June 7, 1954

THE CABINET

PRESIDENT'S ACTIONS

The President has taken the following action on the items presented at the 32nd Cabinet Meeting:

Item	Document Number
1. Speeches on Foreign Affairs ACTION: The President directs Cabinet Members and their assistants: a) to consult in advance with the Department of State in regard to any discussion of foreign policy matters they propose to include in public addresses using the Executive Secretariat in State (ext. 2730) as the primary point of contact for such consultation. b) to stress the broad Administration program in their public addresses from now until Congress adjourns.	
2. Review of Loans vs. Grant Policy ACTION: The President approves this paper, with the first paragraph as revised during the Cabinet Meeting, directs its implementation by the Director of Foreign Operations, and requests a Progress Report prior to the Cabinet Meeting of September 3, 1954.	CP-31/1
3. [Item 3 put over to meeting of June 11.]	
4. New Developments Affecting Agricultural Legislation ACTION: The President defers decision on this proposal until after his conference with legislative leaders on June 14.	CP-37
5. Report on Group Hospital and Medical Program for Federal Employees ACTION: The President directs the Budget Director to expedite clearance of this proposed legislation for submission to the Congress at this Session.	CP-14
6. [Information item only]	
7. [Information item only]	
8. [No action matters]	

ADDITIONAL ITEMS:

A. Tanker Construction Legislation
ACTION: The President directs the Secretaries of Defense and Commerce and the White House Staff to make every effort to secure Congressional approval for construction of the tankers recommended in the Navy and Commerce programs.

B. Anti-Subversive Program
ACTION: The President requests Cabinet Members to arrange for frequent restatement, in appropriate public addresses throughout the Nation, of the material presented at the last Presidential press conference.
[This material is being circulated as CP-44]

Maxwell M. Rabb
Cabinet Operations Officer

STAFF SERVICES FOR OTHER CABINET GROUPS

CABINET COMMITTEES

Ad hoc Cabinet Committees are occasionally established to consider major areas of problems thoroughly and present comprehensive recommendations to the President through the full Cabinet.

Following the analogy of the NSC, the Cabinet Operations Officer must assist in organizing the staff work of these Committees to ensure

-- That their work is being done on schedule, and

-- That their recommendations are coming forward in a form conducive to discussion and decision.

The Cabinet Operations Officer is constantly to be alert to the possible need for new Cabinet Committees and especially to the desirability of recommending the termination of those whose work is done.

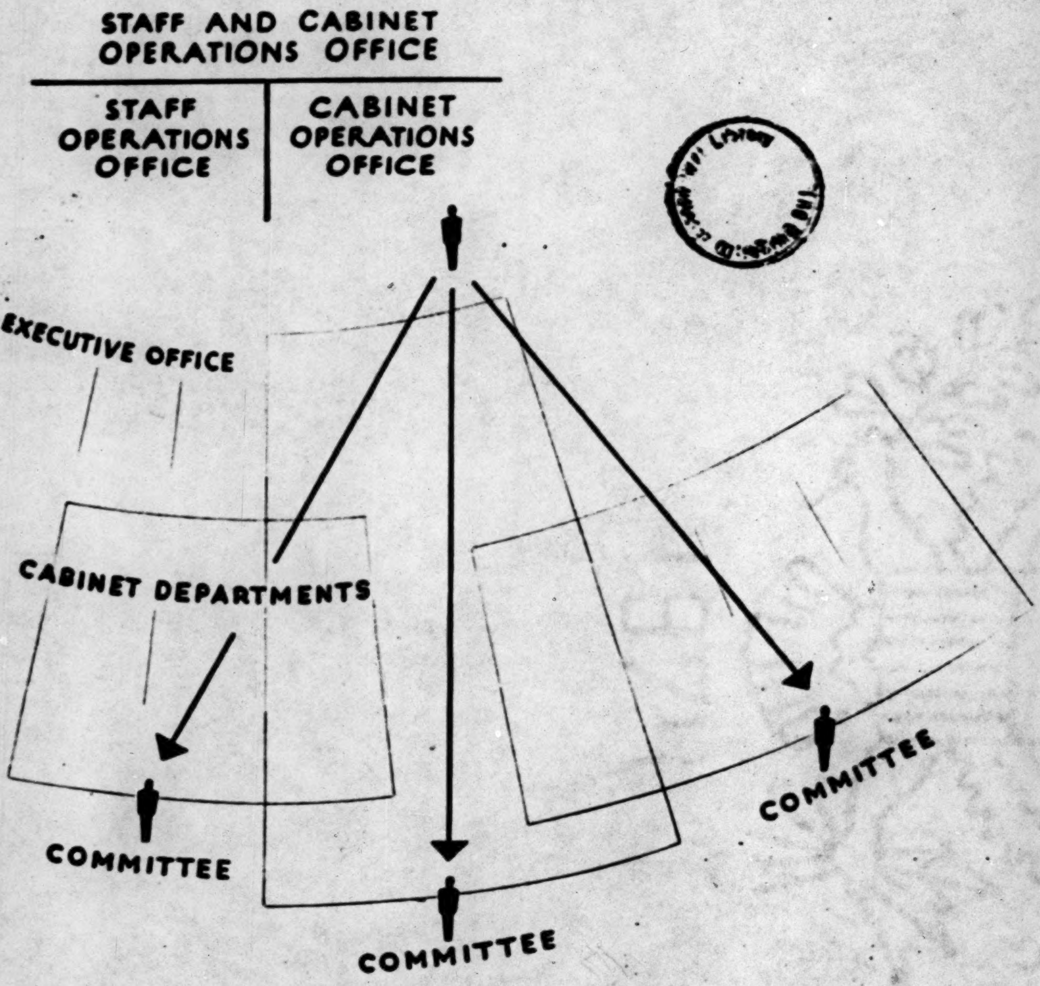
THE SUB-CABINET

The Sub-Cabinet is normally to be used to reach agreement on matters which can be settled finally at the Under Secretary level.

The Sub-Cabinet deserves the same good staff work and staff techniques as have been displayed to assist the Cabinet itself.

FURTHER AIDS FOR THE CABINET

AD HOC CABINET COMMITTEES


STAFF AND CABINET OPERATIONS OFFICE
STAFF OPERATIONS OFFICE
CABINET OPERATIONS OFFICE
EXECUTIVE OFFICE
CABINET DEPARTMENTS
COMMITTEE
COMMITTEE
COMMITTEE

SUB CABINET

SHOULD

- be an action group - *not* a "Planning Board"
- discuss separate agenda - *not* duplicate Cabinet items
- have staff services

THE WHITE HOUSE
WASHINGTON

August 13, 1954

PERSONAL AND CONFIDENTIAL

MRS. WHITMAN:

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Organization for Foreign Economic Policy - The President announced the retention of the services of Mr. Joseph Dodge and urged Cabinet members to give utmost cooperation to him in working up the necessary organization plan for developing and coordinating foreign economic policy.

Physical Examinations - The Cabinet Operations Office will coordinate the arrangements for those Cabinet members who wish to utilize the facilities offered by the President. It is requested that Cabinet members indicate their desires to Governor Adams or Mr. Rabb as early as possible during the week of August 15th.

Staff Work for the President - The President requested Cabinet members to give full assistance in establishing the staff connection system recommended in this presentation and to consult with Governor Adams prior to designating the individuals who will serve as point of contact.

Civil Service Policy - Chairman Young will, on behalf of all Cabinet members, make the substantive reply to the recent letter from Mr. Nicholas Kelley of the National Civil Service League concerning the alleged requirement of political clearances for promotion or transfer of career civil servants.

Chairman Young will draft for consideration by the President a directive restating Administration policy in regard to the career Civil Service, including also reference to enforcement of the Hatch Act.

State of the Union Message - It was agreed that each Department will forward recommended material for the next State of the Union Message to the White House preferably by October 1st and no later than October 15th.

PERSONAL AND CONFIDENTIAL

PERSONAL AND CONFIDENTIAL

Public Relations - Mr. Hagerty will make arrangements with the Departmental Public Relations Officers concerned in regard to the series of syndicated articles agreed upon at this meeting, and in regard to the proposed participation in the New York Herald Tribune Forum.

Defense
State
FOA

Shipment of Coal and Wheat to Korea - The suggestion of the Secretary of Defense for shipping coal and wheat to Korea will be presented directly by Defense to the Department of State and to FOA.

Commerce
State

Japanese Trade Negotiations - Secretary Weeks will send a memorandum to Under Secretary of State Smith concerning the timing of announcement of these negotiations.

Cabinet Schedule - The next meeting of the Cabinet will be held on Wednesday, August 18th, at 9:00 A. M.

Sincerely,

Maxwell M. Rabb
Secretary to the Cabinet

Distribution
- Mr. Hagerty
- Mr. Shanley
- Mrs. Whitman
- Gen. Cutler
- Dr. Hauge
- Mr. Harlow
- Mr. Morgan
- Gen. Carroll
- Mr. Willis
- Mr. Rabb

PERSONAL AND CONFIDENTIAL

TENTATIVE AGENDA FOR THE CABINET MEETING
Friday, August 13, 1954 - as of 11 A.M., August 12'54
(THIRD DRAFT)

The following list of items represents, in effect, a clean-up of governmental areas that need clarification. Consequently, discussions are scheduled relating to organization, personnel, the foreign situation and the status of domestic economy.

1. Physical Examinations. (The President)

2. Staff Work for the President in the Executive Branch.
(Mr. Carter Burgess)
Estimated time of Burgess formal presentation: 15 minutes

3. Report on Economic Situation.
(Dr. Burns)

4. Restatement of Administration Policy on Civil Service.
(Chairman Young)

The need for clarification in the public mind of potential conflict between patronage and Civil Service. This has developed from criticism from Congressional sources, Federal employees and watch-dog Associations. There will also be a status report on the pipeline operation on the number of positions being filled by Administration friends.

5. Report on Economic Operations.
(Governor Stassen)

Estimated time: 15 or 20 minutes

6. Preparation for State of the Union Message.
(Governor Adams, Mr. Harlow and Mr. Rabb)

7. Proposed Executive Order on Buy American Legislation.
(Mr. Randall and/or Dr. Hauge)

This proposed Executive Order on Buy American would carry out that part of the Presidential Message on Foreign Economic Policy calling for a clarification of existing practice with respect to this legislation. This is still tentatively scheduled but there is a feeling that this matter should be resolved and a definite approach established once and for all.

8. Indo-China.

The President wants FOA, State and Defense to come prepared to Friday's meeting to discuss what steps are being taken to get the Viet Nam Anti-Communists out of Communist territory. C. D. Jackson told the President that the rescue efforts were completely disorganized. The President feels that a round-table report on this would be good.

9. C. D. Jackson Plan.

Pete Carroll feels that September 15, 1954, should be the deadline for the presentation of this program by way of a Presidential speech in order to avoid the charge of politicking. He thinks that unfolding that plan now before the Cabinet and developing the policy involved would be a proper Cabinet item.

SEAL OF THE PRESIDENT OF THE UNITED STATES

STAFF WORK for the PRESIDENT and the Executive Branch

THE WHITE HOUSE
WASHINGTON

August 20, 1954

THE ASSISTANT TO THE PRESIDENT

MEMORANDUM FOR

All Departments and Agencies
The White House Staff

Real progress in better staff work for the White House and the Cabinet has been made in the past year.

The President has now requested that our staff system be further strengthened and improved.

The pages of this handbook, highlighting only the staff elements of the White House and the Agencies, portray the requirements for good staff work and prescribe the principles essential for achieving the President's goal.

The President directs that the staff system described here be put into full operation and that the forms and procedures illustrated be followed as guides by the Departments and Agencies reporting to him. These procedures will be kept flexible and adaptable to exceptional occasions.

The object is to expedite our work and to bring about a better functioning of the Executive Branch.

The President has asked that first attention be given to this important program.

Sherman Adams

THE PRESIDENT'S AND WHITE HOUSE STAFF'S WORK WITH THE EXECUTIVE BRANCH

Complex and urgent matters constantly come to the White House and compete for the President's attention.

The President must spread his time over these important problems, yet must conserve himself for the function uniquely his: *the decision.*

It must be assured that his requests for recommendations or his decisions go quickly to the right place, are made clear and specific to those who must take action, and are handled on time.

It must be guaranteed that his time will not be taken up with proposals which are unnecessary, unresponsive, lengthy, or incomplete.

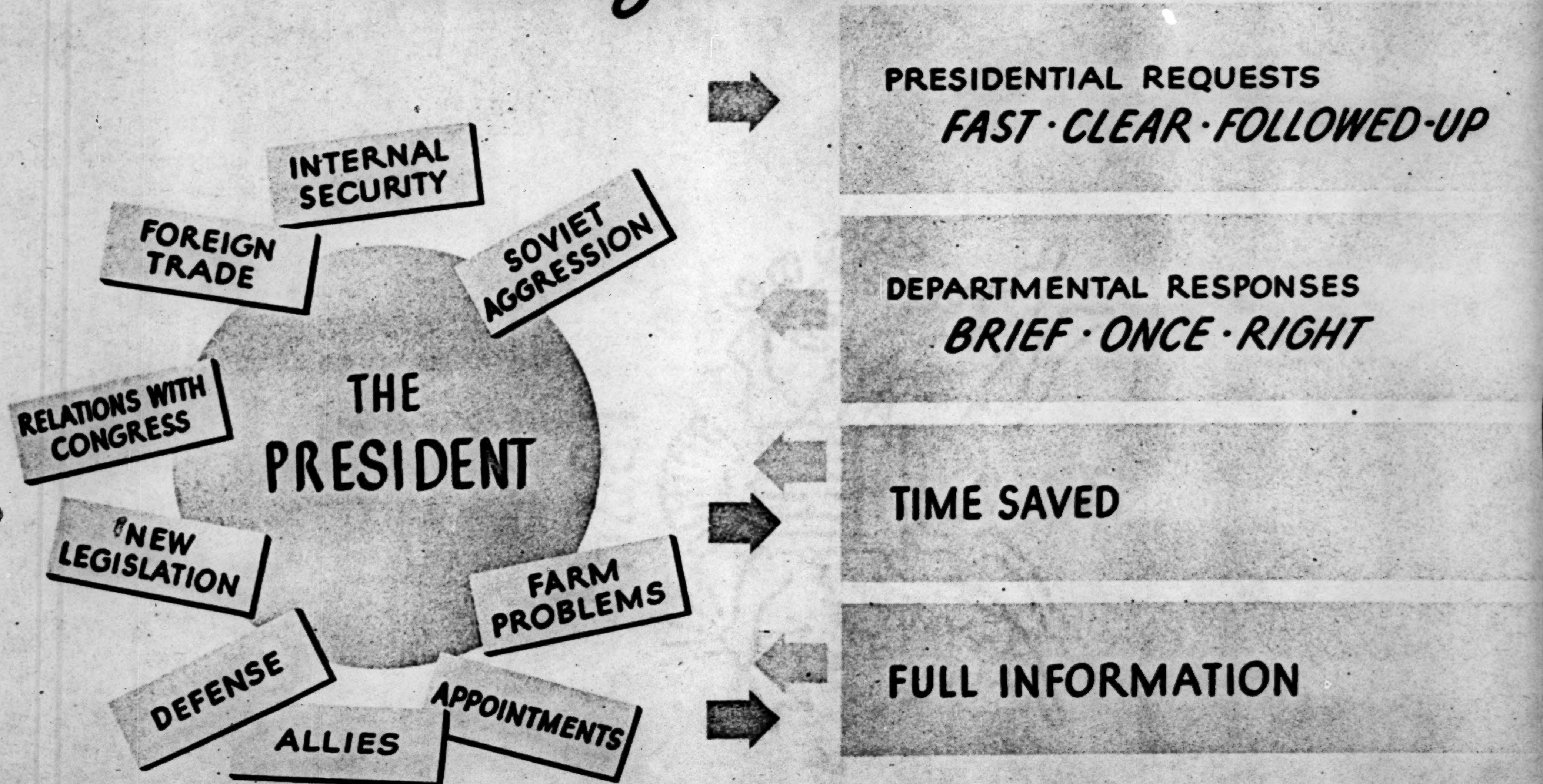
He must be certain that necessary information on actions and results which either he, the White House Staff, or the Executive Branch should have gets back and forth speedily.

How can the President be assured that these steps are taken without having to concern himself with them personally?

The Answer: A FLEXIBLE and RAPID SYSTEM for GOOD STAFF WORK.

THE PRESIDENT REQUIRES AN ACTION SYSTEM

which guarantees .....


INTERNAL SECURITY
FOREIGN TRADE
SOVIET AGGRESSION
RELATIONS WITH CONGRESS
THE PRESIDENT
NEW LEGISLATION
FARM PROBLEMS
DEFENSE
ALLIES
APPOINTMENTS

PRESIDENTIAL REQUESTS
FAST · CLEAR · FOLLOWED-UP

DEPARTMENTAL RESPONSES
BRIEF · ONCE · RIGHT

TIME SAVED

FULL INFORMATION

A SYSTEM OF GOOD STAFF WORK FOR THE EXECUTIVE BRANCH

Our Executive Branch consists of some 60 Agencies which report directly to the President.

An effective staff system must provide a means of speedy consultation between the White House and these Agencies, and among the Agencies themselves

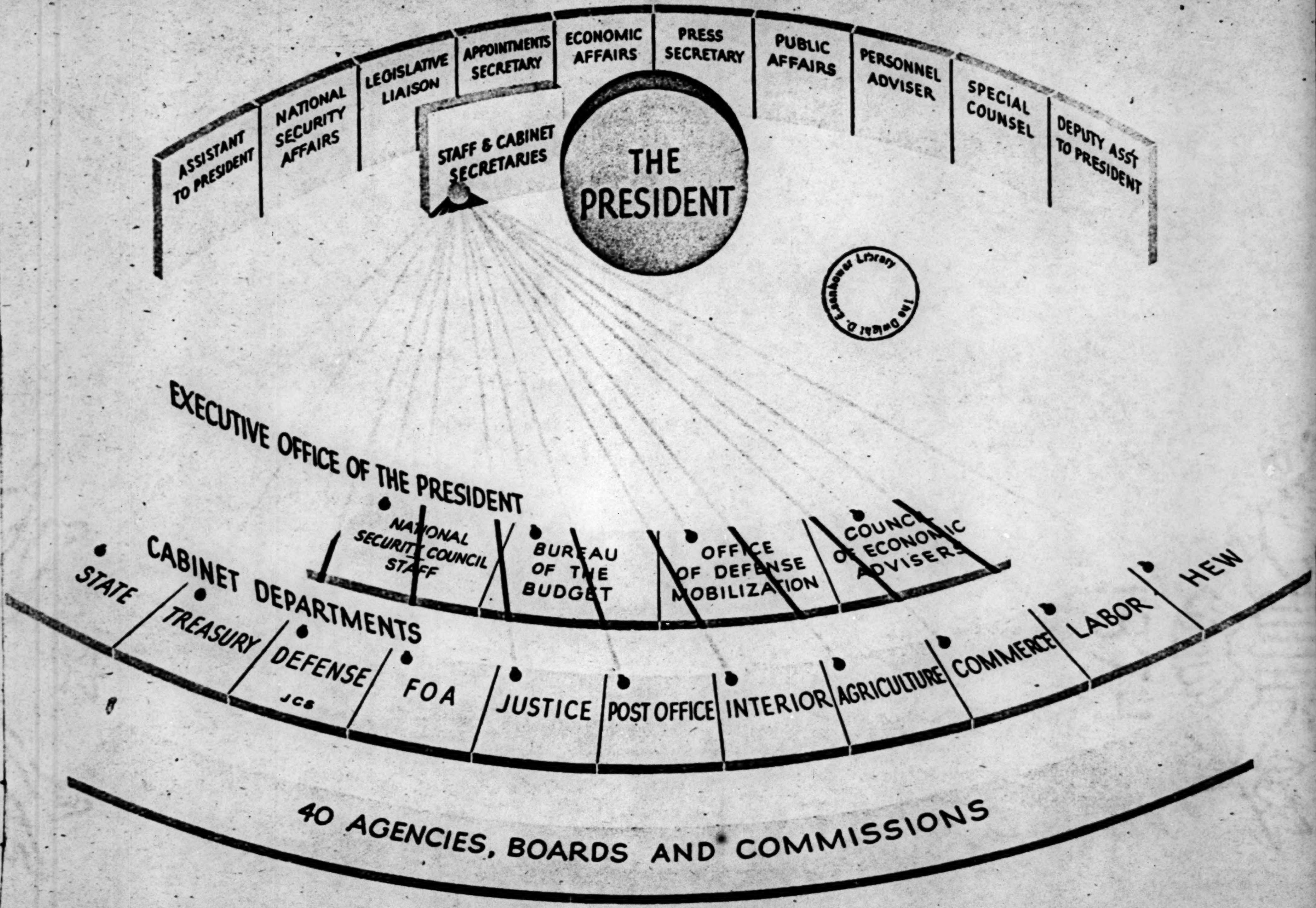
- Enabling the President with the assistance of the White House Staff to exercise proper direction, guidance, and follow-up;
- Enabling the Agencies to achieve quicker, surer coordination with each other on all top-level matters;
- Supporting (but in no way altering) the direct line of authority which the President has to each Agency head, and the lines of communication which the White House Assistants have to Agency officials.

The Elements of the System

- In the White House, a Staff Secretary and a Cabinet Secretary;
- Within each Agency, a staff focal point for coordinating and expediting White House and Cabinet business.

Rapid communication between these points of contact will help keep all units of the Executive Branch working together, and will enable each Department and Agency head to do a better job of supporting the President, while relieving all of them of the important but detailed management and follow-through required to effect good staff work.

This system will likewise assist the existing coordinating mechanisms (the NSC, the Cabinet, Cabinet Committees) to keep in step with one another, and will help them be more useful to the President and the Government as a whole.


ASSISTANT TO PRESIDENT
NATIONAL SECURITY AFFAIRS
LEGISLATIVE LIAISON
APPOINTMENTS SECRETARY
ECONOMIC AFFAIRS
PRESS SECRETARY
PUBLIC AFFAIRS
PERSONNEL ADVISER
SPECIAL COUNSEL
DEPUTY ASS'T TO PRESIDENT
STAFF & CABINET SECRETARIES
THE PRESIDENT
EXECUTIVE OFFICE OF THE PRESIDENT
NATIONAL SECURITY COUNCIL STAFF
BUREAU OF THE BUDGET
OFFICE OF DEFENSE MOBILIZATION
COUNCIL OF ECONOMIC ADVISERS
CABINET DEPARTMENTS
STATE
TREASURY
DEFENSE
JCS
FOA
JUSTICE
POST OFFICE
INTERIOR
AGRICULTURE
COMMERCE
LABOR
HEW
40 AGENCIES, BOARDS AND COMMISSIONS

MAXIMS FOR GOOD STAFF WORK IN THE WHITE HOUSE

ASSIGNMENT

The White House will assign to the appropriate Agencies

- Action on items they can complete themselves;
- A maximum amount of the preparatory work on Presidential matters.

Every action assignment by the President, the Assistant to the President, the Deputy Assistant, or the Staff and Cabinet Secretaries, is to be covered by a follow-up system which includes a current Suspense List.

PREPARATION

With every action assignment goes the implicit assignment of responsibility for lateral coordination with interested officers, Departments, or Agencies.

All papers destined for the attention of the President or his top aides should come to them under a Covering Brief of standard format, prepared by the officer or Agency assigned action.

REVIEW

The White House Staff assists the President by reviewing every proposal for his action.

- The Staff Secretary checks to see that each recommendation represents completed staff work;
- The White House Assistants check to see that any major proposal in the area of their special study is in accord with the President's overall objectives.

Action items, each under its Covering Brief, are transmitted through the Staff Secretary, who can objectively assist in determining priorities, keep the Assistant to the President informed, and arrange for proper presentation to the President.

REPORTING

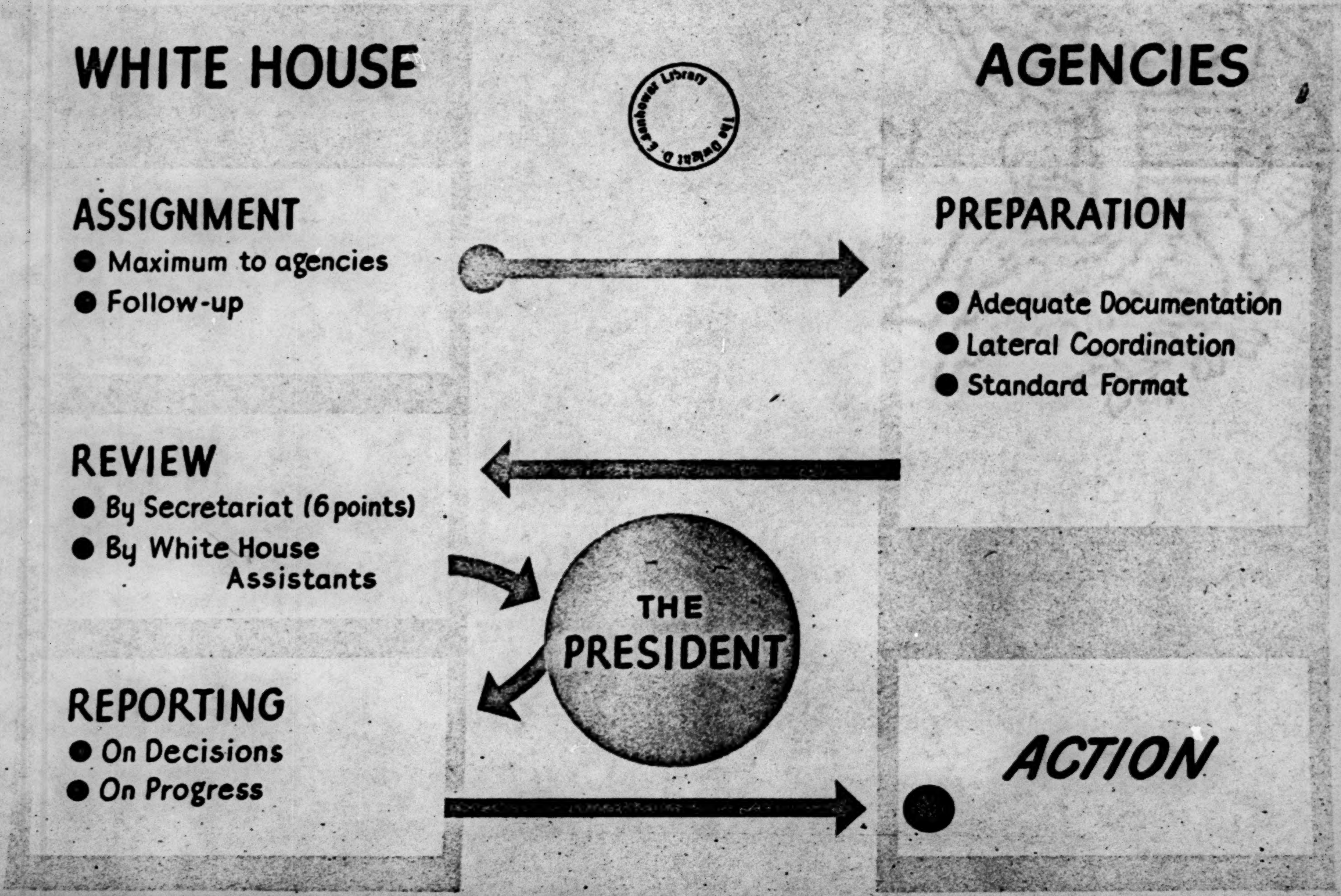
The Staff and Cabinet Secretaries will insure proper reporting and follow-up of Presidential decisions.

BASIC QUALIFICATIONS

The Staff and Cabinet Secretaries serve the President, but

- have no separate authority;
- cannot restrict communications between the President and his Agency heads;
- will keep their procedures flexible, and adaptable to exceptional occasions.

SPEEDING ACTION THROUGH STAFF OPERATIONS



WHITE HOUSE

ASSIGNMENT

- Maximum to agencies
- Follow-up

REVIEW

- By Secretariat (6 points)
- By White House Assistants

REPORTING

- On Decisions
- On Progress

AGENCIES

PREPARATION

- Adequate Documentation
- Lateral Coordination
- Standard Format

THE PRESIDENT

ACTION

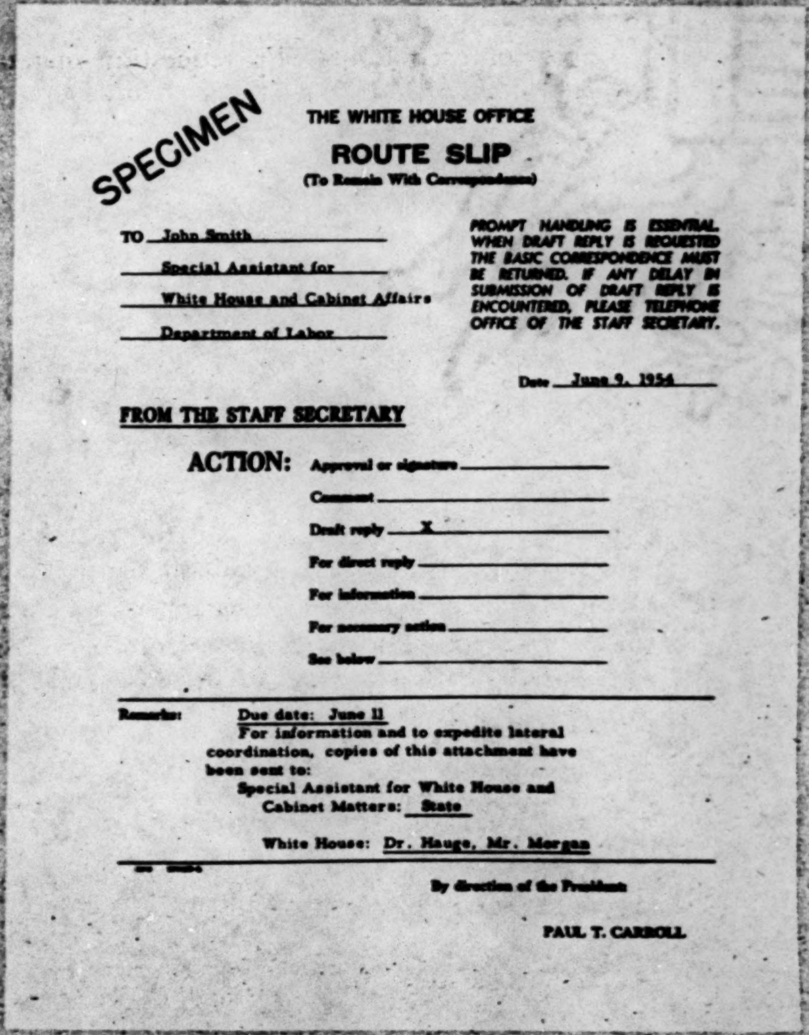
WHITE HOUSE STAFF OPERATIONS: FORMS AND PROCEDURES

Action Assignment: THE ROUTE SLIP

The Route Slip (or a special memorandum) is used by the Staff Secretary to transmit the requests of the President, of the Assistant to the President, and of the Deputy Assistant.

To speed up coordination without delaying action, photocopies of important outgoing assignments will occasionally be made by the Staff Secretary and simultaneously sent

- To the Assistant to the President;
- To a White House Officer concerned;
- To an interested Agency.



SPECIMEN

THE WHITE HOUSE OFFICE

ROUTE SLIP

(To Remain With Correspondence)

TO John Smith
Special Assistant for
White House and Cabinet Affairs
Department of Labor

PROMPT HANDLING IS ESSENTIAL. WHEN DRAFT REPLY IS REQUESTED THE BASIC CORRESPONDENCE MUST BE RETURNED. IF ANY DELAY IN SUBMISSION OF DRAFT REPLY IS ENCOUNTERED, PLEASE TELEPHONE OFFICE OF THE STAFF SECRETARY.

Date June 9, 1954

FROM THE STAFF SECRETARY

ACTION:
Approval or signature
Comment
Draft reply X
For direct reply
For information
For necessary action
See below

Remarks: Due date: June 11
For information and to expedite lateral coordination, copies of this attachment have been sent to:
Special Assistant for White House and Cabinet Matters: State
White House: Dr. Hauge, Mr. Morgan

By direction of the President:

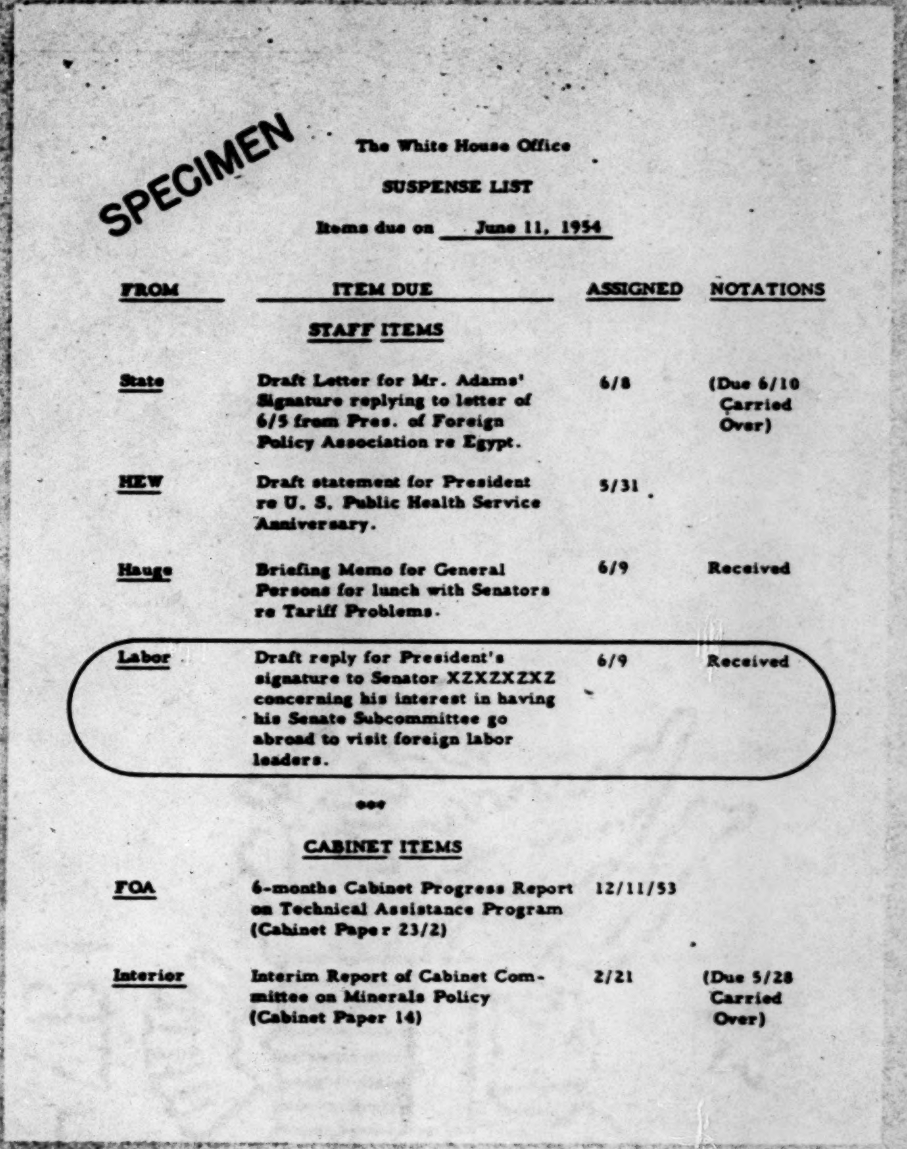
PAUL T. CARROLL

Action Assignment: THE SUSPENSE LIST

Copies of each Route Slip requesting material to be returned, and of special assignment memoranda from the President, the Assistant to the President, the Deputy Assistant, and the Staff and Cabinet Secretaries, are automatically kept in a sequential file.

At the end of each day, a Suspense List is composed of all the items in this file—both Cabinet and non-Cabinet matters—which will be due during the following day.

The Suspense List is used by the Staff and Cabinet Secretaries for follow-up and is available to the Assistant to the President and the Deputy Assistant as a means of keeping track of every major action assignment. The Staff and Cabinet Secretaries will insure that items are deleted from the List as they come through.



SPECIMEN

The White House Office

SUSPENSE LIST

Items due on June 11, 1954

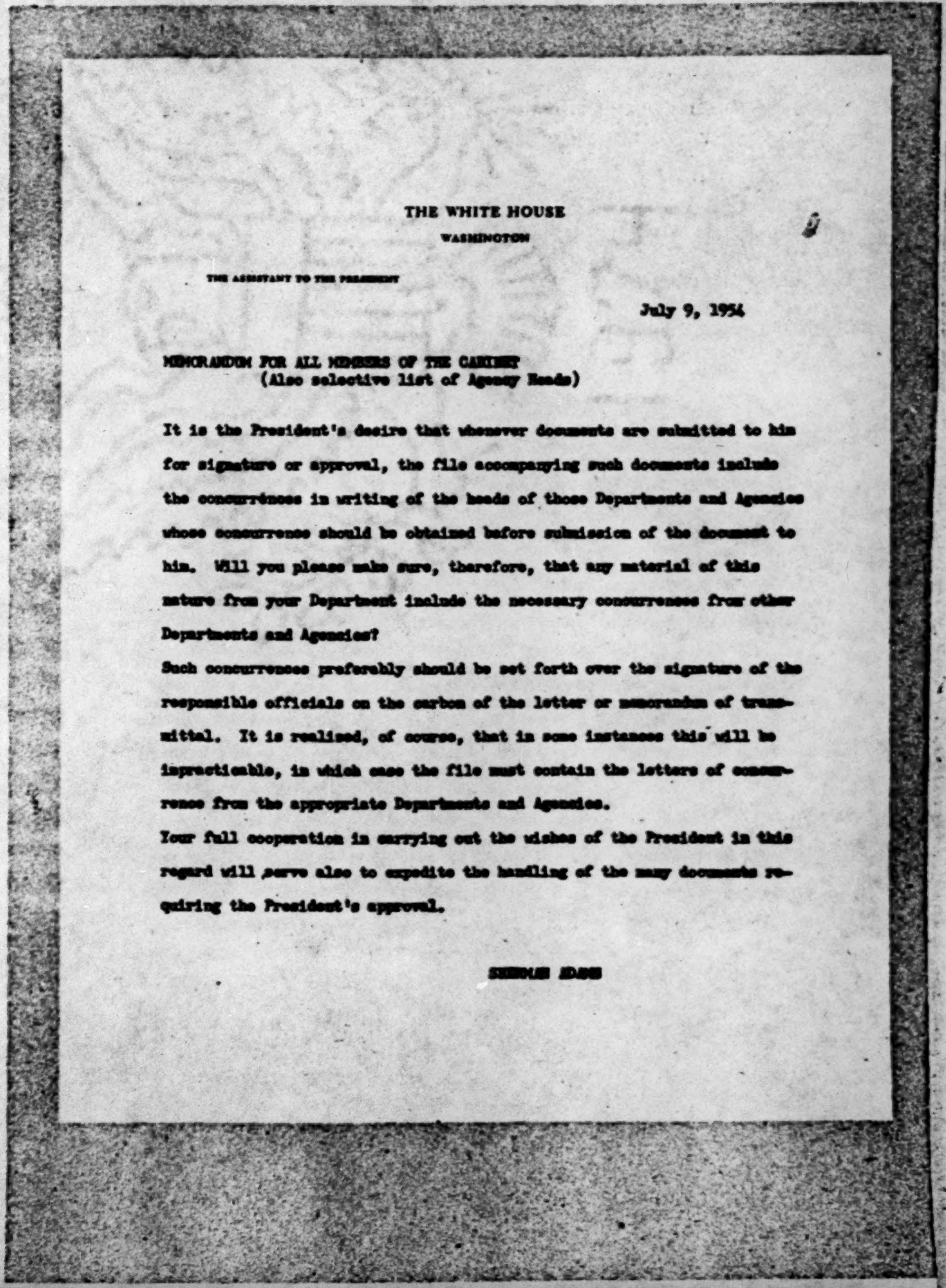
FROM	ITEM DUE	ASSIGNED	NOTATIONS
	STAFF ITEMS		
State	Draft Letter for Mr. Adams' Signature replying to letter of 6/5 from Pres. of Foreign Policy Association re Egypt.	6/8	(Due 6/10 Carried Over)
HEW	Draft statement for President re U. S. Public Health Service Anniversary.	5/31	
Hauge	Briefing Memo for General Persons for lunch with Senators re Tariff Problems.	6/9	Received
Labor	Draft reply for President's signature to Senator XZXZXZXZ concerning his interest in having his Senate Subcommittee go abroad to visit foreign labor leaders.	6/9	Received
	•••		
	CABINET ITEMS		
FOA	6-months Cabinet Progress Report on Technical Assistance Program (Cabinet Paper 23/2)	12/11/53	
Interior	Interim Report of Cabinet Committee on Minerals Policy (Cabinet Paper 14)	2/21	(Due 5/28 Carried Over)

Preparation: LATERAL COORDINATION
The DIRECTIVE OF JULY 9

The Agency (or White House Officer) assigned action should complete all necessary lateral coordination before returning any item for final action.

The Staff and Cabinet Secretaries will usually indicate the minimum lateral coordination required, and stand ready to assist any Agency (or White House Officer) in expediting this coordination.

The Special Assistants in the individual Agencies should be used by the action Agency (or White House Officer) as a fast, central mechanism for completing lateral coordination.



THE WHITE HOUSE
WASHINGTON

THE ASSISTANT TO THE PRESIDENT

July 9, 1954

MEMORANDUM FOR ALL MEMBERS OF THE CABINET
(Also selective list of Agency Heads)

It is the President's desire that whenever documents are submitted to him for signature or approval, the file accompanying such documents include the concurrénces in writing of the heads of those Departments and Agencies whose concurrence should be obtained before submission of the document to him. Will you please make sure, therefore, that any material of this nature from your Department include the necessary concurrences from other Departments and Agencies?

Such concurrences preferably should be set forth over the signature of the responsible officials on the carbon of the letter or memorandum of transmittal. It is realised, of course, that in some instances this will be impracticable, in which case the file must contain the letters of concurrence from the appropriate Departments and Agencies.

Your full cooperation in carrying out the wishes of the President in this regard will serve also to expedite the handling of the many documents requiring the President's approval.

SHERMAN ADAMS

Preparation: THE COVERING BRIEF

Every item for action (except personal correspondence) which comes to the desk of the President, the Assistant to the President, or the Deputy Assistant, should be under a standard Covering Brief.

Length: One page.

Format and content: As specified in this sample.

Primary responsibility for this Brief belongs with the Agency or officer assigned action. The Brief must be signed by the head of the Agency or his designee.

Standard format

Authorized signature

Exactly what is being asked

Relevant attachments referred to

Necessary background

Reasoning

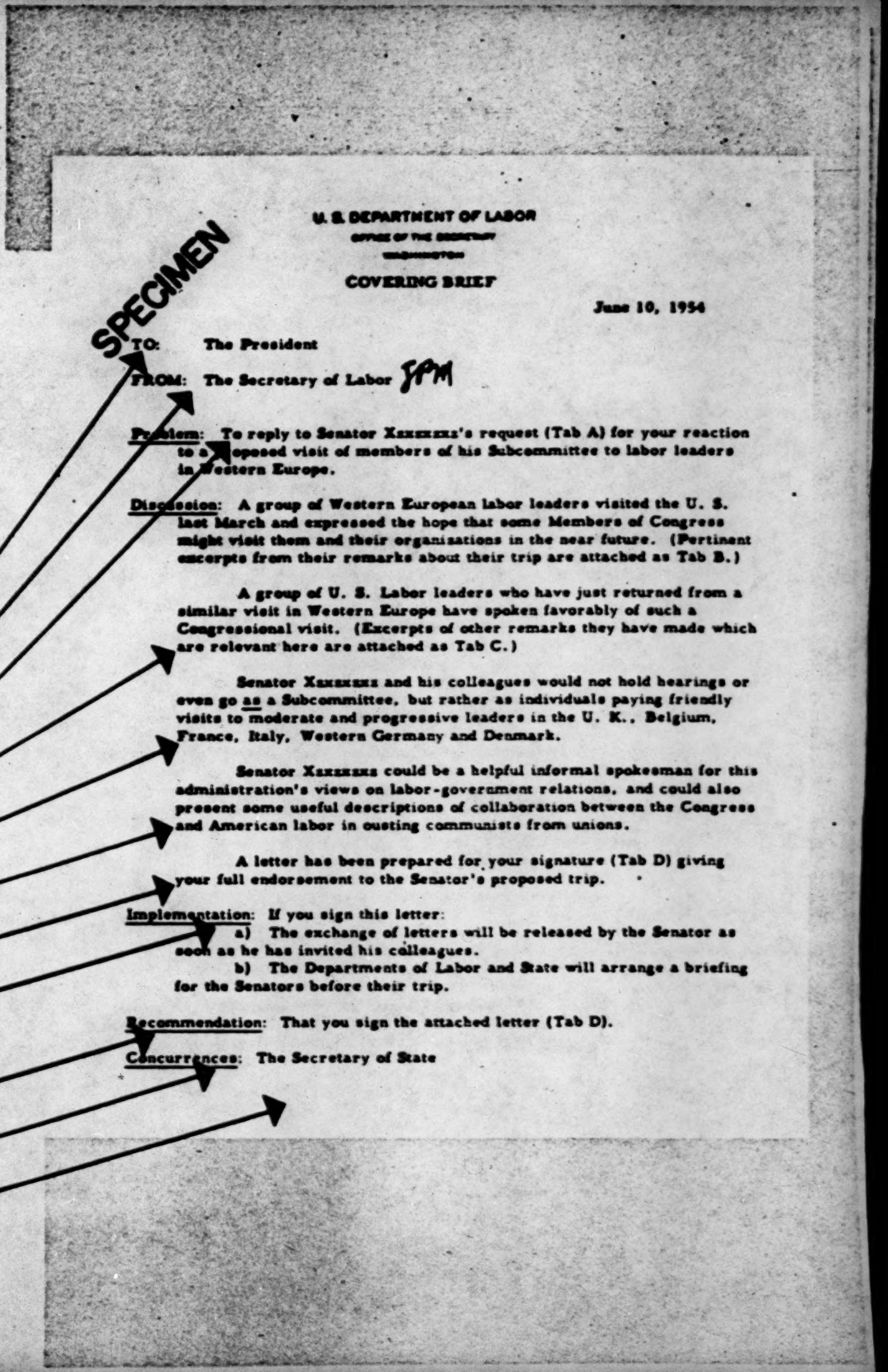
What is being presented

What will be done next—who will follow up—and how

Specific recommendation

Lateral coordination

Space for White House notations



SPECIMEN

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

COVERING BRIEF

June 10, 1954

TO: The President

FROM: The Secretary of Labor JPM

Problem: To reply to Senator Xxxxxxxx's request (Tab A) for your reaction to a proposed visit of members of his Subcommittee to labor leaders in Western Europe.

Discussion: A group of Western European labor leaders visited the U. S. last March and expressed the hope that some Members of Congress might visit them and their organizations in the near future. (Pertinent excerpts from their remarks about their trip are attached as Tab B.)

A group of U. S. Labor leaders who have just returned from a similar visit in Western Europe have spoken favorably of such a Congressional visit. (Excerpts of other remarks they have made which are relevant here are attached as Tab C.)

Senator Xxxxxxxx and his colleagues would not hold hearings or even go as a Subcommittee, but rather as individuals paying friendly visits to moderate and progressive leaders in the U. K., Belgium, France, Italy, Western Germany and Denmark.

Senator Xxxxxxxx could be a helpful informal spokesman for this administration's views on labor-government relations, and could also present some useful descriptions of collaboration between the Congress and American labor in ousting communists from unions.

A letter has been prepared for your signature (Tab D) giving your full endorsement to the Senator's proposed trip.

Implementation: If you sign this letter:
a) The exchange of letters will be released by the Senator as soon as he has invited his colleagues.
b) The Departments of Labor and State will arrange a briefing for the Senators before their trip.

Recommendation: That you sign the attached letter (Tab D).

Concurrences: The Secretary of State

RESPONSIBILITIES OF THE STAFF SECRETARY

Review

The Staff Secretary goes through the following checklist for each proposal directed for action to the President, the Assistant to the President, or the Deputy Assistant:

✓ IS IT NECESSARY?

- Must the action be taken at this level?
- Could it be handled by the responsible Agency or by one of the White House Assistants directly?

✓ IS IT RESPONSIVE?

- Is it exactly what was asked for?

✓ IS IT READY FOR ACTION?

- Is there a Covering Brief, as specified on page 11?
- Does it leave any questions unanswered?
- Is there a specific paper to sign or approve?
- Are the other relevant papers referred to and attached?

✓ IS IT TIMELY?

- Has anything just occurred which should modify this action?

✓ IS IT CONSISTENT?

- Does it go counter to any previous commitments in the record?
- Might it be at cross-purposes with what any other element of the Government is doing?
- In other words, does it show adequate lateral coordination?

✓ HOW WILL IT BE FOLLOWED UP?

- By whom and in what way?
- Would its method of implementation be such as to affect other commitments or other actions?
- After how long?

Presentation

Items ready for action are presented through the Staff Secretary, who aids the Assistant to the President in determining

- What the urgency is (measured objectively in terms of the requirements of the President and as compared with the other demands on his time);
- When the best occasion will be for presentation;
- Whether the matter needs to be supplemented by oral briefing, and who should handle this.

Reporting

The Staff Secretary will be responsible for determining

- How the decisions of the President, the Assistant to the President, and the Deputy Assistant are to be recorded;
- To whom they should be reported
  for action;
  for information;
- The kind of progress report, if any, which should be made, who is to prepare it, and when.

In General

It is often necessary for White House Staff members or Agency heads to deal orally with the President. Oral recommendations, discussions, and decisions are part of the normal way of getting things done, but they have their pitfalls. They are apt to lead to inadequate lateral coordination and uncertainties regarding decisions and follow-up. Business handled orally outside the staff system should be reported promptly to the normal action channels to insure that mistakes are not in the making, and to prevent lost papers, lost decisions, and lost actions.

This staff system is to be kept flexible so that it can

- work speedily and smoothly under heavy pressure;
- be adaptable for handling varying demands and problems.

MAXIMS FOR STAFF WORK WITH THE CABINET

PRIOR STAFF WORK

Before suggested items for important action are even placed on the Cabinet agenda, prior interagency consultation is required to insure that the President and the Cabinet have the benefit of documentation with careful analysis, issues clearly defined, and with agreements and disagreements identified.

AGENDAS

Items placed on the agenda should be accompanied by documents.

Long documents should be preceded by Briefs.

Agendas and documents are to be distributed two days in advance.

Each Agency's Special Assistant for Cabinet matters is expected to insure that his Agency gives careful internal study to Cabinet Papers and that his Secretary is fully briefed before Cabinet meetings.

Discussion of off-agenda items should not be used as a method of getting decisions on major matters.

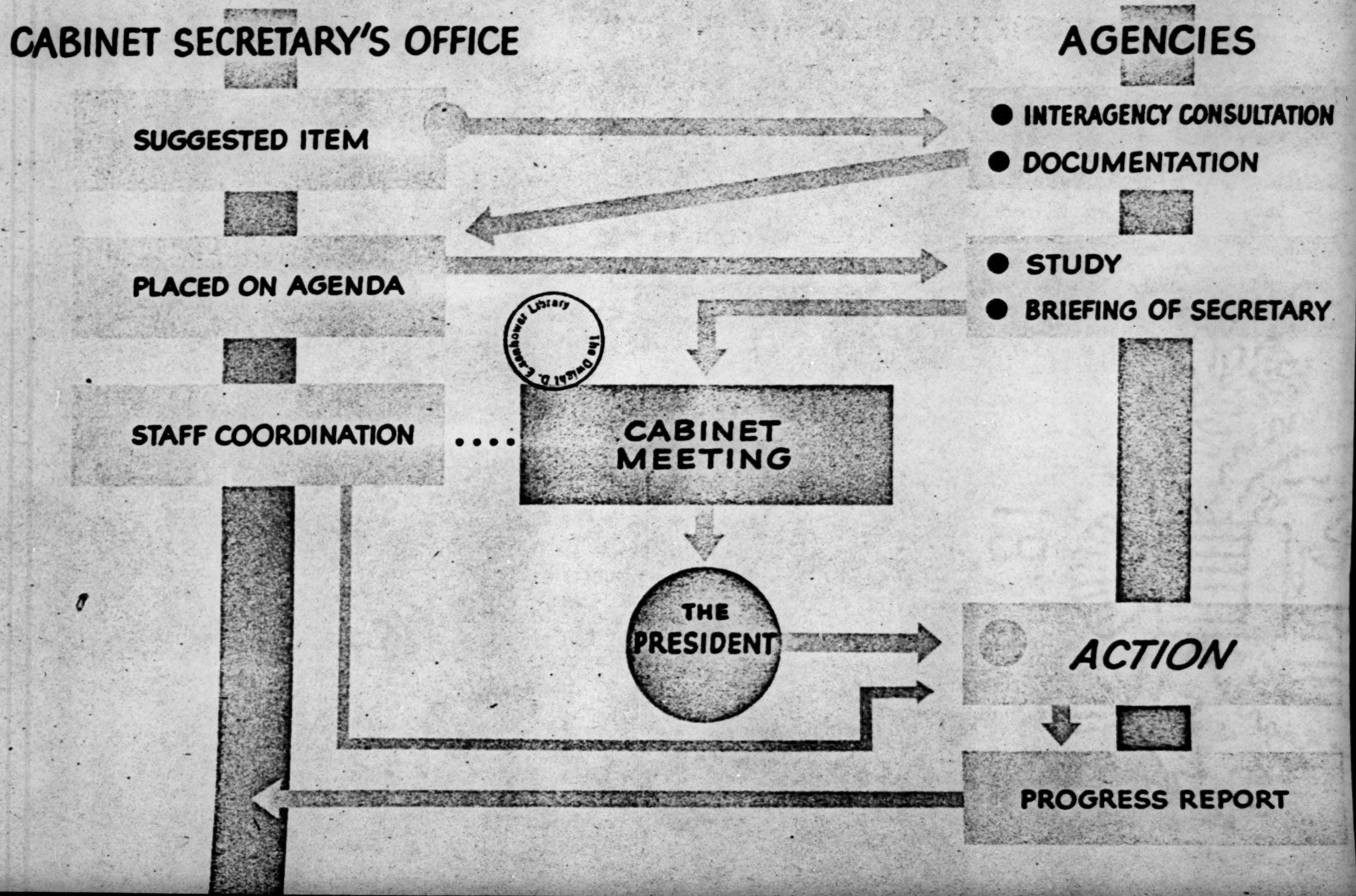
REPORTING

The President's decisions on Cabinet recommendations will be recorded, when made, in a succinct Presidential Action Summary.

The Cabinet Secretary will be continually in close touch with the Departmental Special Assistants to insure complete implementation.

Responsible Agencies will be asked to submit Progress Reports on major actions requested by the President on Cabinet matters.

STAFF WORK IMPROVES CABINET MEETINGS



CABINET SECRETARY'S OFFICE
AGENCIES
SUGGESTED ITEM
INTERAGENCY CONSULTATION
DOCUMENTATION
PLACED ON AGENDA
STUDY
BRIEFING OF SECRETARY
STAFF COORDINATION
CABINET MEETING
THE PRESIDENT
ACTION
PROGRESS REPORT

CABINET STAFF OPERATIONS: FORMS AND PROCEDURES

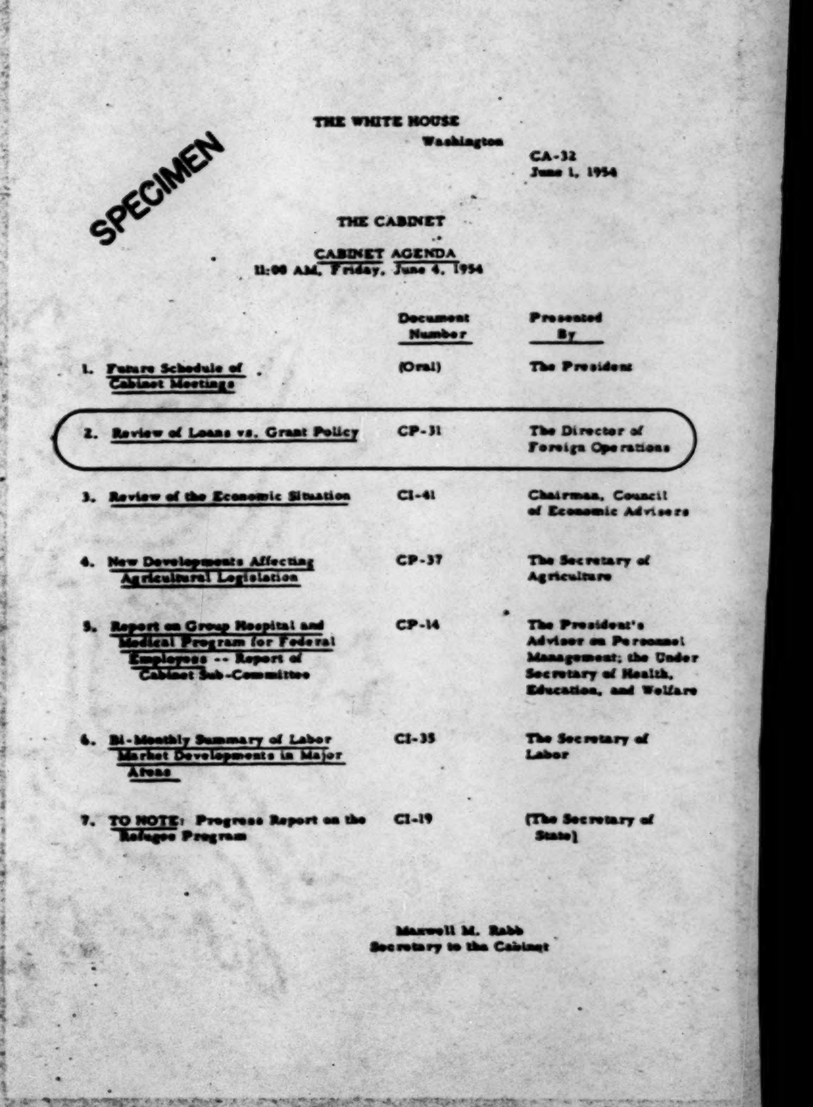
THE CABINET AGENDA

Major items should reach this agenda only after they have undergone some joint study by the interested Agencies—refining the problems, spelling out the agreements, and identifying the disagreements.

This study can be arranged on an *ad hoc* basis by the Cabinet Secretary, working through the appropriate Departmental Special Assistants.

Each agenda item, other than the most exceptional cases, should be accompanied by a document, if only a one-paragraph description of a proposed informational item.

Cabinet agendas and documents are to be distributed at least two days in advance of the Cabinet meeting, two copies of each going directly to the Departmental Special Assistants for Cabinet Matters.



SPECIMEN

THE WHITE HOUSE
Washington

CA-32
June 1, 1954

THE CABINET

CABINET AGENDA
11:00 AM, Friday, June 4, 1954

	Document Number	Presented By
1. Future Schedule of Cabinet Meetings	(Oral)	The President
2. Review of Loans vs. Grant Policy	CP-31	The Director of Foreign Operations
3. Review of the Economic Situation	CI-41	Chairman, Council of Economic Advisers
4. New Developments Affecting Agricultural Legislation	CP-37	The Secretary of Agriculture
5. Report on Group Hospital and Medical Program for Federal Employees -- Report of Cabinet Sub-Committee	CP-14	The President's Advisor on Personnel Management; the Under Secretary of Health, Education, and Welfare
6. Bi-Monthly Summary of Labor Market Developments in Major Areas	CI-35	The Secretary of Labor
7. TO NOTE: Progress Report on the Refugee Program	CI-19	(The Secretary of State)

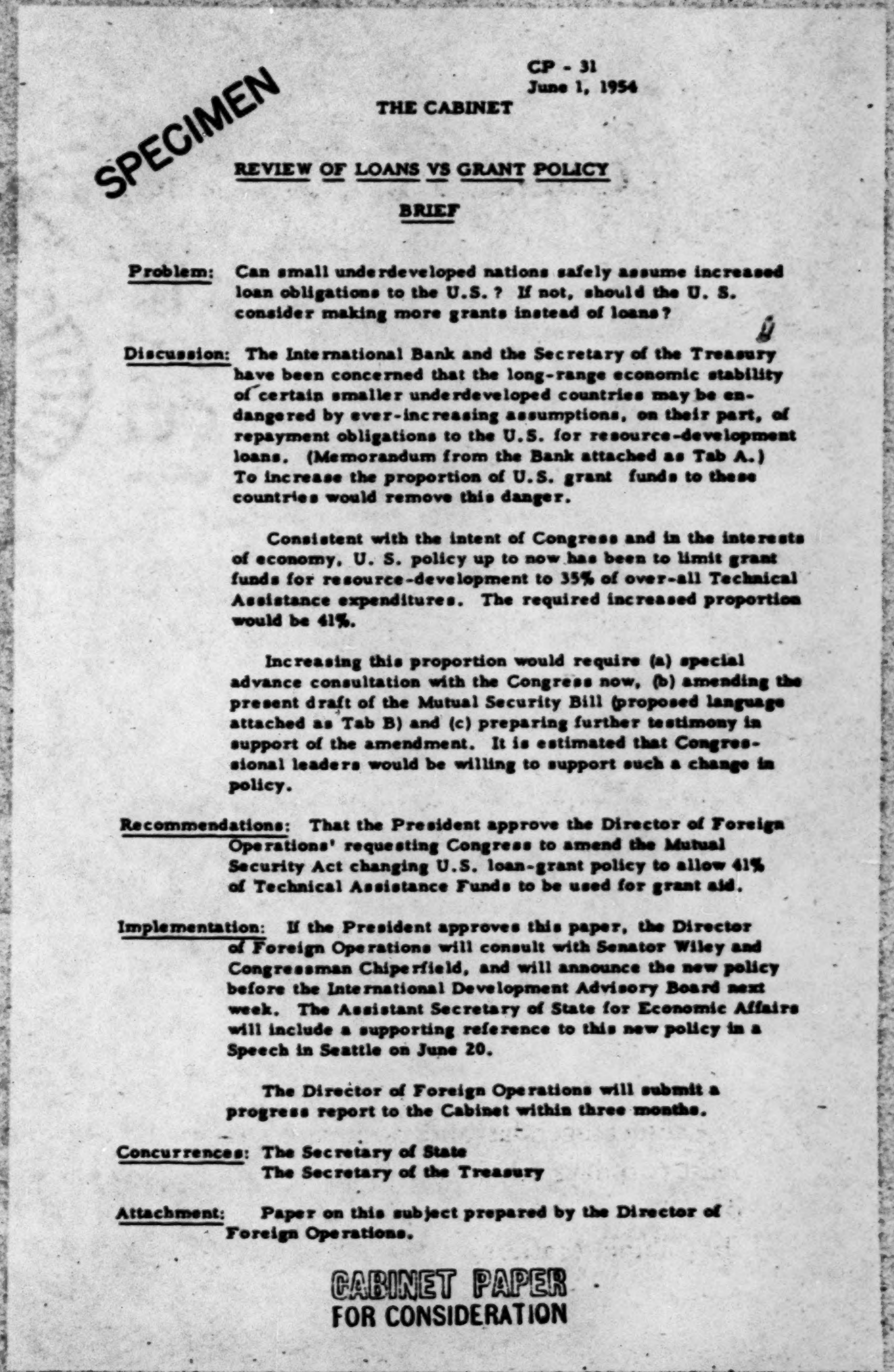
Maxwell M. Rabb
Secretary to the Cabinet

THE CABINET BRIEF

Cabinet Papers which are over one page in length are to be accompanied by a one-page Brief, to be prepared by the responsible Agency.

The Brief should follow the five-section format specified here.

Cabinet Briefs and Papers which are awaiting Cabinet discussion will be reproduced by the Office of the Cabinet Secretary on blue paper. When approved by the President they will be reproduced, with any necessary revisions, on white paper as final documents for action.



SPECIMEN

CP - 31
June 1, 1954

THE CABINET

REVIEW OF LOANS VS GRANT POLICY

BRIEF

Problem: Can small underdeveloped nations safely assume increased loan obligations to the U.S.? If not, should the U. S. consider making more grants instead of loans?

Discussion: The International Bank and the Secretary of the Treasury have been concerned that the long-range economic stability of certain smaller underdeveloped countries may be endangered by ever-increasing assumptions, on their part, of repayment obligations to the U.S. for resource-development loans. (Memorandum from the Bank attached as Tab A.) To increase the proportion of U.S. grant funds to these countries would remove this danger.

Consistent with the intent of Congress and in the interests of economy, U. S. policy up to now has been to limit grant funds for resource-development to 35% of over-all Technical Assistance expenditures. The required increased proportion would be 41%.

Increasing this proportion would require (a) special advance consultation with the Congress now, (b) amending the present draft of the Mutual Security Bill (proposed language attached as Tab B) and (c) preparing further testimony in support of the amendment. It is estimated that Congressional leaders would be willing to support such a change in policy.

Recommendations: That the President approve the Director of Foreign Operations' requesting Congress to amend the Mutual Security Act changing U.S. loan-grant policy to allow 41% of Technical Assistance Funds to be used for grant aid.

Implementation: If the President approves this paper, the Director of Foreign Operations will consult with Senator Wiley and Congressman Chiperfield, and will announce the new policy before the International Development Advisory Board next week. The Assistant Secretary of State for Economic Affairs will include a supporting reference to this new policy in a Speech in Seattle on June 20.

The Director of Foreign Operations will submit a progress report to the Cabinet within three months.

Concurrences: The Secretary of State
The Secretary of the Treasury

Attachment: Paper on this subject prepared by the Director of Foreign Operations.

CABINET PAPER
FOR CONSIDERATION

THE CABINET PAPER

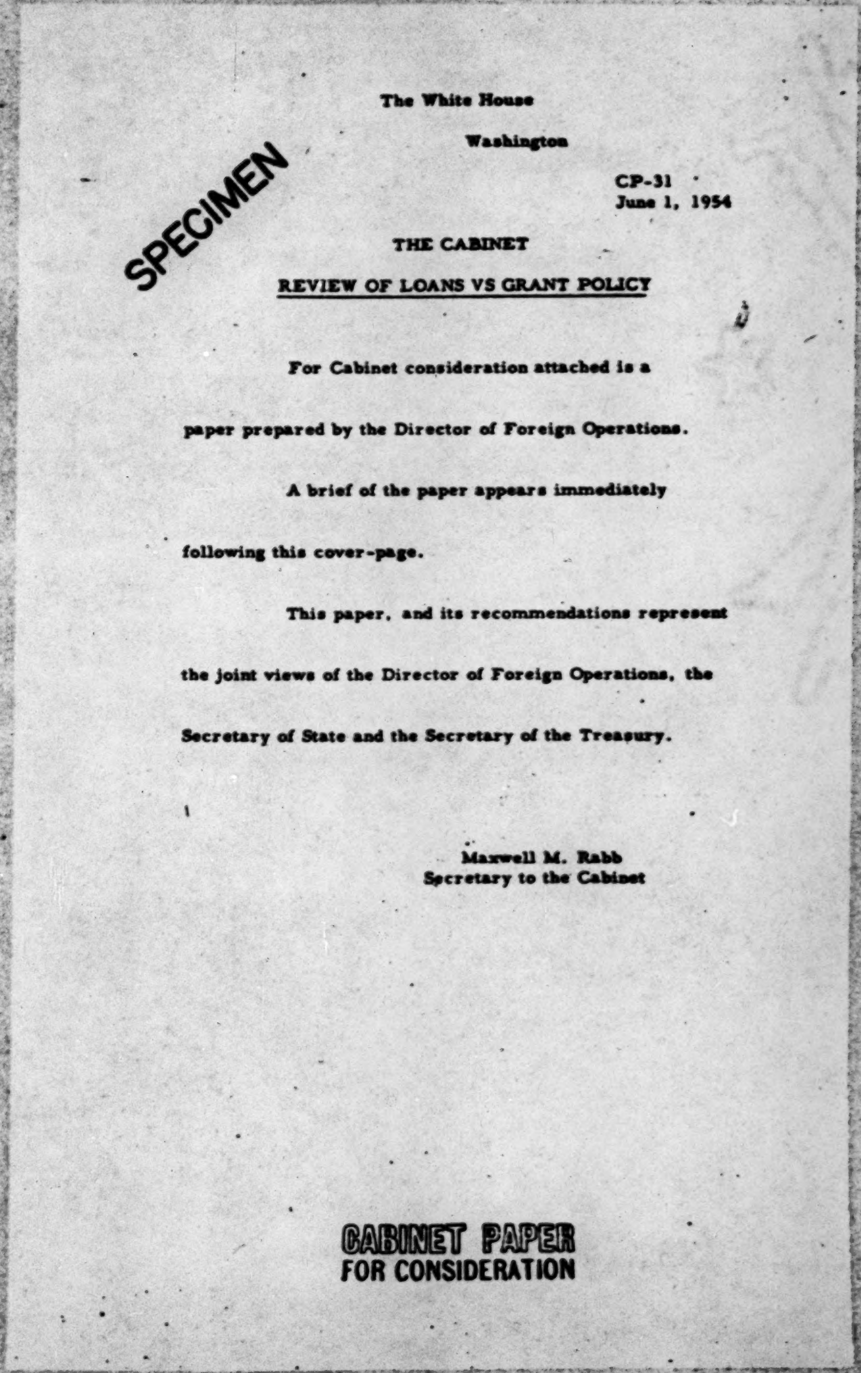
All Cabinet Papers (with their Briefs) and Progress Reports are as a matter of routine circulated under the standard format Cover Page of the Cabinet Secretary.

This Cover Page assigns the number of the document, explains its status and origin, and gives other brief necessary background information about the document attached.

Cabinet Papers are to be prepared by the responsible Agency, after appropriate interagency consultation. They should follow the same five-section format specified for the Cabinet Brief (page 17).

The Cabinet Secretary's Office will normally reproduce Cabinet Papers from stencils prepared by the responsible Agency, and will circulate copies enough in advance of the meeting

- To enable each Cabinet Department to give the Paper adequate study;
- To enable each Departmental Special Assistant to brief his Secretary fully before the meeting.



The White House

Washington

SPECIMEN

CP-31
June 1, 1954

THE CABINET

REVIEW OF LOANS VS GRANT POLICY

For Cabinet consideration attached is a paper prepared by the Director of Foreign Operations.

A brief of the paper appears immediately following this cover-page.

This paper, and its recommendations represent the joint views of the Director of Foreign Operations, the Secretary of State and the Secretary of the Treasury.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

CABINET REPORTING AND FOLLOW-UP

On major Cabinet recommendations, the President may frequently wish to defer his decision for several hours or days to allow for thorough reflection and consideration.

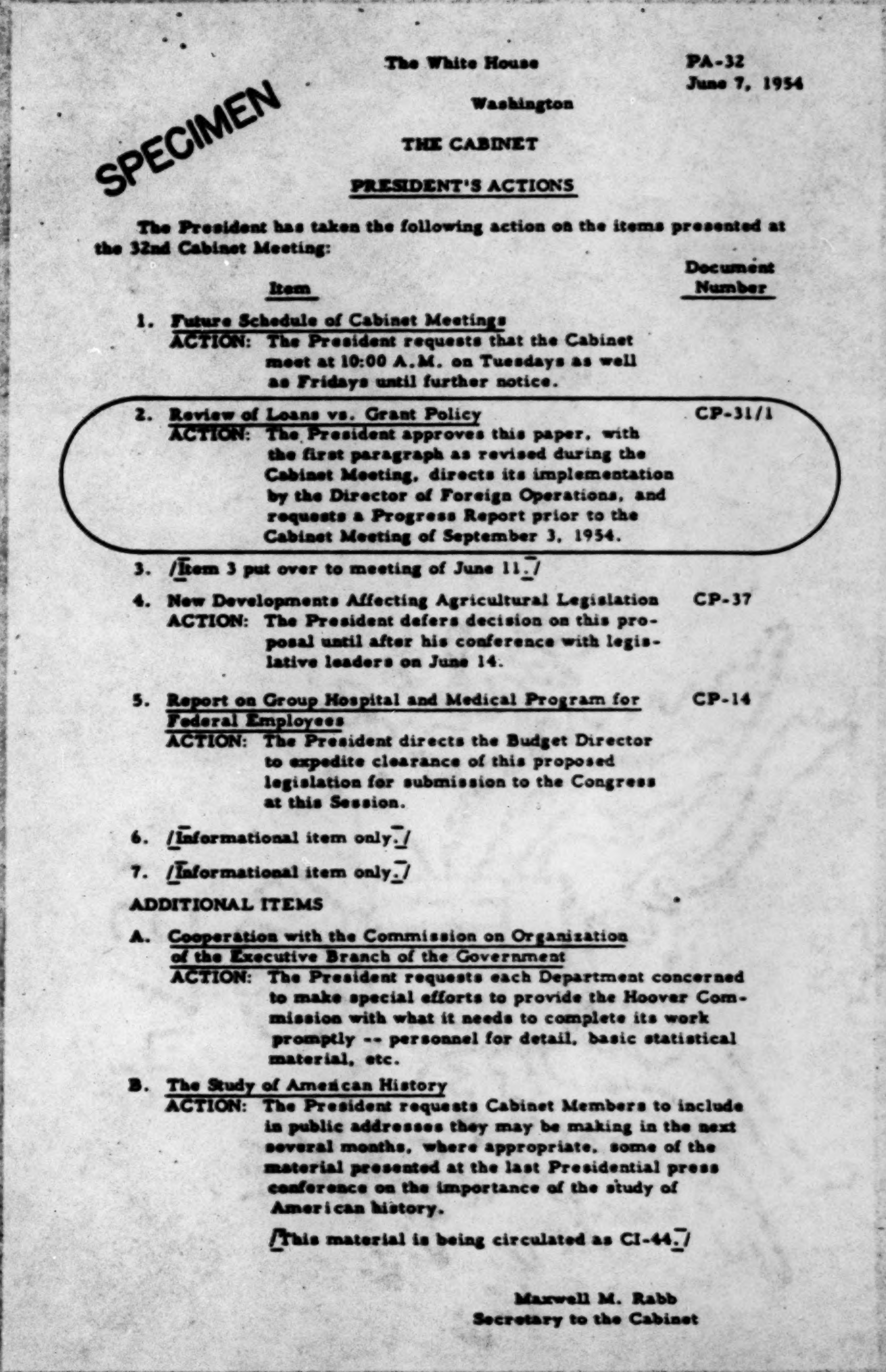
The Presidential Action Summary will be drafted by the Cabinet Secretary clearly specifying for each item the decision, the action required, and the locus of responsibility.

This Summary, when approved by the President, is itself to constitute the President's directive to the agencies for action. The Summary is to be the only written record distributed of the results of Cabinet meetings.

The Cabinet Secretary will give to the Departmental Special Assistants orally as full information about Cabinet discussions as is necessary to get assignments understood and action under way.

When appropriate, brief Progress Reports are to be submitted on major matters by the responsible Agency.

Progress Reports and other informational Cabinet Papers will be reproduced on yellow paper.



SPECIMEN

The White House
Washington

PA-32
June 7, 1954

THE CABINET

PRESIDENT'S ACTIONS

The President has taken the following action on the items presented at the 32nd Cabinet Meeting:

Item	Document Number
1. Future Schedule of Cabinet Meetings ACTION: The President requests that the Cabinet meet at 10:00 A.M. on Tuesdays as well as Fridays until further notice.	
2. Review of Loans vs. Grant Policy ACTION: The President approves this paper, with the first paragraph as revised during the Cabinet Meeting, directs its implementation by the Director of Foreign Operations, and requests a Progress Report prior to the Cabinet Meeting of September 3, 1954.	CP-31/1
3. /Item 3 put over to meeting of June 11./	
4. New Developments Affecting Agricultural Legislation ACTION: The President defers decision on this proposal until after his conference with legislative leaders on June 14.	CP-37
5. Report on Group Hospital and Medical Program for Federal Employees ACTION: The President directs the Budget Director to expedite clearance of this proposed legislation for submission to the Congress at this Session.	CP-14
6. /Informational item only./	
7. /Informational item only./	

ADDITIONAL ITEMS

A. Cooperation with the Commission on Organization of the Executive Branch of the Government
ACTION: The President requests each Department concerned to make special efforts to provide the Hoover Commission with what it needs to complete its work promptly -- personnel for detail, basic statistical material, etc.

B. The Study of American History
ACTION: The President requests Cabinet Members to include in public addresses they may be making in the next several months, where appropriate, some of the material presented at the last Presidential press conference on the importance of the study of American history.

/This material is being circulated as CI-44./

Maxwell M. Rabb
Secretary to the Cabinet

STAFF SERVICES FOR CABINET COMMITTEES

Ad hoc Cabinet Committees are occasionally established to consider major areas of problems thoroughly and present comprehensive recommendations to the President through the full Cabinet.

The White House, through the Office of the Cabinet Secretary, will assist in organizing the staff work for these committees and keep in continuous touch with them, to insure:

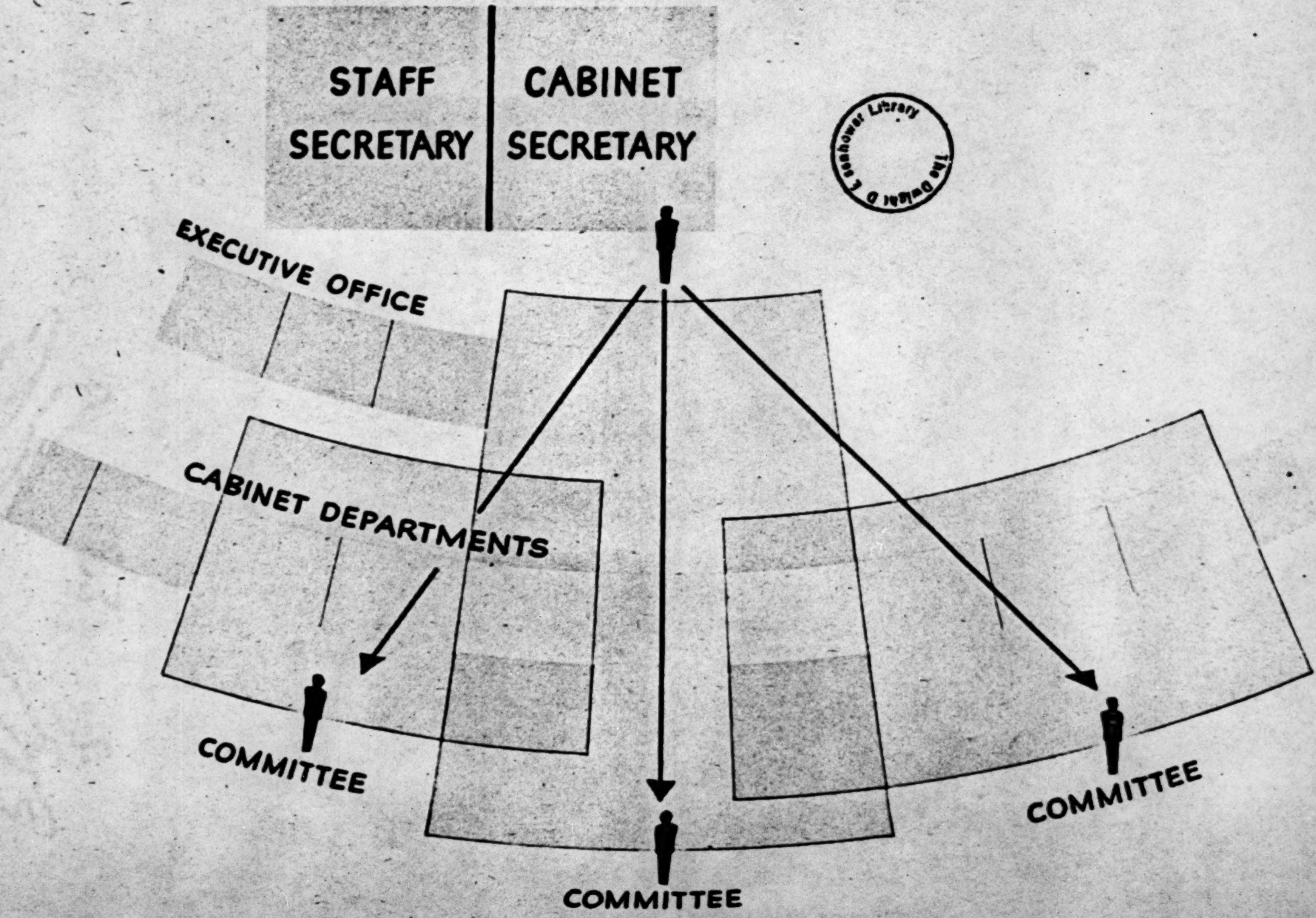
- That they have specific terms of reference and clear deadlines;
- That they don't overlap with one another;
- That they get started without waste motion;
- That their work is being done on schedule;
- That their recommendations are coming forward in a form which meets the staff work standards for Cabinet papers, and which is thus conducive to discussion and decision.

The Cabinet Secretary will be alert to needs for new Cabinet Committees, and especially to the desirability of recommending the termination of those whose work is done.

Arrangements will also be made to allow the Office of the Cabinet Secretary to be kept aware of the work of other interdepartmental committees which may relate to that of the Cabinet.

FURTHER AIDS FOR THE CABINET

AD HOC CABINET COMMITTEES



STAFF SECRETARY

CABINET SECRETARY

EXECUTIVE OFFICE

CABINET DEPARTMENTS

COMMITTEE

COMMITTEE

COMMITTEE

Philip Young
13 Aug. 1954

GUIDE FOR
PERSONNEL ACTIONS

The success of the Administration's program depends on people. Therefore, the people who are appointed by the Administration must be the best qualified people we can find for the job.

We must recruit people for several categories of positions --

Excepted positions - meaning those which are not filled through civil service procedures because they are excepted from the application of civil service laws, rules and regulations. These positions include those excepted by statute, by Executive order and by the Civil Service Commission under Schedules A, B and C. Although these positions are excepted from the application of the civil service laws, they were specifically made subject to the Veterans' Preference Act. With due consideration given to Veterans' preference, the head of a department or agency has complete freedom of selection in filling them.

Competitive positions - meaning those under the competitive civil service system. These positions must be filled through the procedures prescribed by the civil service laws, rules and regulations and the Veterans' Preference Act. Under these laws political clearance cannot be one of the tests applied in filling these positions.

Under some circumstances the Civil Service Commission authorizes departments and agencies to do direct recruiting. Direct recruiting by the departments and agencies occurs most frequently when (1) an occupational category is in short supply and not enough persons file applications to meet current needs, or (2) it is uneconomical for the Commission to announce an examination and establish a register. The latter is true in the case of some temporary jobs, jobs that are hard to fill because of location and few-of-a-kind jobs.

Direct recruiting for positions in the competitive civil service can be carried on only after authorization by the Civil Service Commission and its Boards of Examiners. Direct recruiting authority is issued for specific positions either to a single agency through the issuance of a Form 303 or to all agencies through the issuance of a general recruiting authority. When authority for direct recruiting has been issued the agency can then fill positions in the occupational categories covered by the authority with any qualified people they can find. The civil service laws, rules and regulations and the Veterans' Preference Act must be adhered to as they apply to such recruiting and resulting appointments. Political clearance cannot be a test in filling competitive positions. Persons appointed to competitive positions under these authorities must meet civil service standards but are not eligible for civil service status as a result of their appointment, unless they have passed a civil service examination.

All sources of recruitment available to the agency may be used in recruiting for these positions. The agency may request assistance in recruitment for positions for which it has direct recruiting authority from all persons and organizations which it believes can assist in the recruitment of qualified persons.

When direct recruiting is authorized by the Civil Service Commission for positions for which there are no registers, the departments and agencies are required to establish an applicant supply system. The purpose of this requirement is to provide an orderly method of handling applications for employment made directly to the departments and agencies.

The applicant supply system must be based upon the following principles:

(1) Acceptance of applications on a systematic basis that

    (a) insures fair treatment of all candidates, and
    (b) complies with the Veterans' Preference Act and instructions of the Commission;

(2) Prompt evaluation of all applications received in accordance with standards authorized by the Commission; and

(3) Consideration for appointment of all qualified and available applicants in established priority order.

Promotions and transfers to competitive positions. We are also faced with the problem of seeing to it that all persons who are transferred and promoted at all levels within the competitive civil service are competent, of high integrity and loyal to the program of the department or agency employing them. Sound selection and placement policies and practices are the keys to a strong and competent civil service. This is especially true in selecting persons for appointment, transfer and promotion to key positions in the higher levels. This means that the head of every agency of Government must take particular care in the selection of all persons considered for transfer and promotion as well as appointment in his organization. In earlier communications it has been pointed out to you that "in filling vacancies in key positions in the competitive service the person selected must have civil service status and must be the best qualified person with civil service status available to the agency." As in the case of appointment, the laws governing the civil service prohibit political clearance as a requirement for transfer or promotion to competitive positions.

It should be borne in mind that positions of any kind or level in the competitive service can be filled with persons who do not have civil service status only when persons with civil service eligibility or status are not available.

Consultant positions. These are positions which are established for the express purpose of securing expert consultative services on particular problems. They are not operating positions in the sense that the person selected to fill them has any responsibility for or control of the day-to-day operating functions of a department or agency. There are special provisions in the law which, while allowing the head of a department or agency to recruit and select the person he needs, require that the need for consulting services be justified and that the individual must be qualified as a consultant before employment. The basis of payment for persons appointed to consultant positions varies. They may be paid on a fee basis for a particular job to be done, on a "when actually employed" basis, i.e. at a given rate of pay for the time they work with no payment for the days or hours they do not work, or on a per diem in lieu of subsistence basis which is so much a day when working away from their regular place of employment but they receive no per diem for subsistence purposes under the travel laws and regulations. These are given as examples only and the method selected should be the one best meeting the needs of the agency and the advantage of the Government.

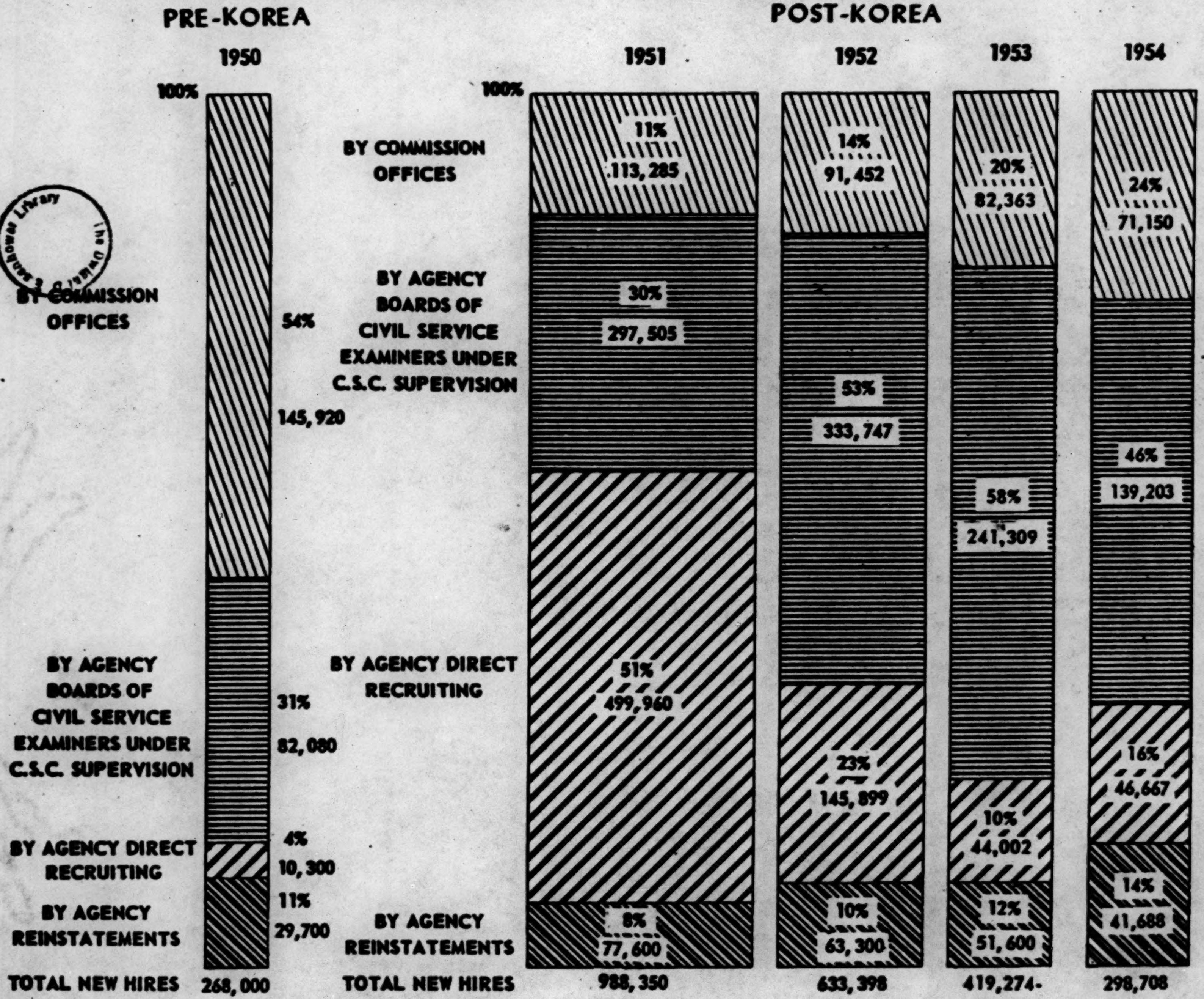
It is of utmost importance that all persons engaged in the handling of personnel matters know and understand the operation of the civil service system. It is the policy of the Administration that the career service will be protected and strengthened against political pressures. Any action on the part of any person which is contrary to this policy is a potential embarrassment to the President and opens him personally to the criticism that he is playing politics with the civil service. Therefore, it is imperative that all possible steps be taken to see to it that all persons dealing with personnel matters in your organization are fully informed concerning the civil service laws, rules and regulations.

Every Director of Personnel is or should be fully familiar with them. The Directors of Personnel should be consulted as to the procedures which must be followed in handling all types of personnel actions and should advise against any infraction of the laws under which the Federal Government must conduct its personnel matters.

Any instances in which it is found that the civil service laws, rules and regulations have been violated should be immediately corrected and steps taken to see that similar cases are properly handled in the future.

August 12, 1954

NEW HIRES IN THE COMPETITIVE CIVIL SERVICE FOR THE FISCAL YEARS 1950 - 1954



Gov. Stassen
13 Aug. 1954

August Targets

1. Ships - Tankers - Carrier ✓
2. Army Ordnance ✓
3. Machine Tools ✓
4. Follow through with States on Public Roads ✓
5. New Housing Bill Implementation ✓
6. Dollar Exports ✓
7. Export-Import Bank Loans ✓
8. Coal - Export ✓
9. Public Construction ✓
10. Inland Interest Rates ✓
11. Locomotives and Railway Cars ✓
12. Agricultural Surplus Disposal ✓

Mr. Babb

August 6, 1954

MEMORANDUM TO: Governor Sherman Adams

FROM : Murray Snyder

There are two pending projects for placing the Administration's story of accomplishment before the country which shortly will have to be presented to the Administration figures involved:

No. 1. The president received from Whitelaw Reid, Editor and President of the Herald Tribune, in a recent interview, a proposal for a series of mid-term reports of 600 words each, to be written by top-flight people in the Government and to be distributed free through the Herald Tribune Syndicate facilities to a thousand or more daily newspapers. At the President's direction, Jim Hagerty, Jim Bassett and I have shaken this down into a 14-piece series which would more or less follow the attached outline. We have not talked to any of the suggested authors, pending settlement of some important details on the formula for distribution. The idea is to avoid unpleasant kickbacks from competing news outfits over a series of signed stories distributed exclusively through the Herald Tribune channels, even though they will be made available to all papers.

No. 2. This involves Administration participation in the October nineteenth evening program of the New York Herald Tribune Forum, which is attended by some two thousand national women's club and civic leaders at the Waldorf-Astoria, and this year may well get extensive television coverage.

Jim Hagerty and I worked out an outline for this program with Helen Hiett Waller, of the Trib the other day. It would involve Mr. Nixon, Mrs. Hobby, Mr. Benson, George Humphrey, Bedell Smith, Jim Mitchell and Herb Brownell. Mr. Nixon would serve as a sort of moderator of a Q and A session after he, himself, makes a brief report on major accomplishments of the 83rd Congress and the Administration, and describes the issues of the '54 election. He would be given the time from 8 to 8:15. From 8:15 to 9:15 the other six at the table with him would answer questions submitted in writing by members of the audience through Mrs. Waller. In addition to the questioning by the regular delegates to the forum, Mrs. Waller would like to have the individual Cabinet Officers recommend people from public organizations familiar with their Departments so that they might be invited to the Forum and be given the opportunity to ask pertinent questions. For instance, Secretary Mitchell could have Guy L. Brown there, and Mr. Brownell could have a top man in a bar association.

The Tribune is also arranging for Admiral Strauss to speak at another hour.

This could be handled by memorandum from Max Rabb to the Cabinet member involved if you approve. Jim has asked me to follow through on it.

MURRAY SNYDER

cc: Mr. Hagerty
Mr. Rabb ✓

EXECUTIVE OFFICE OF THE PRESIDENT
Office of Defense Mobilization
Washington, D. C.

Office of the Director August 9, 1954

MEMORANDUM FOR THE CABINET:

SUBJECT: Redevelopment of Southwest Washington, D. C.

The Zeckendorf proposal (Auchincloss Bill, H. R. 9765) calls for demolition of the temporary government buildings in Washington and their replacement by permanent buildings as part of an over-all plan for redevelopment of Southwest Washington.

The details of the proposal and its effect on employment in Washington are included in the memorandum for the President dated July 29, 1954, from the Director of the Bureau of the Budget.

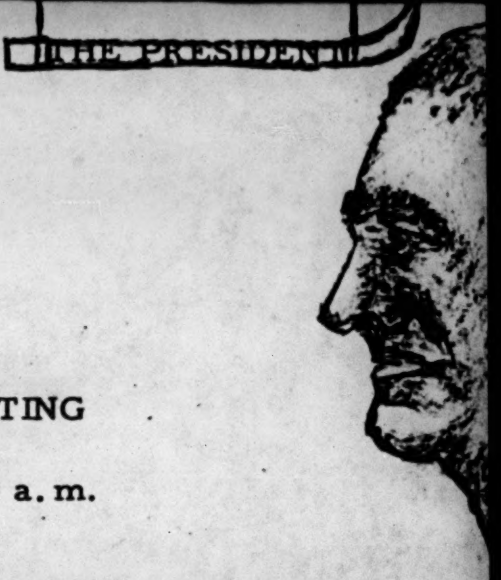
The position of ODM is that:

1. Demolition of the temporary buildings, along the Mall and elsewhere in the Capital Area, is desirable not only for aesthetic reasons but also from the security consideration of eliminating facilities that are extremely vulnerable to enemy attack and a fire hazard.

2. There is no objection to the general idea of redeveloping Southwest Washington by removing obsolete structures and replacing them with residential, commercial and cultural facilities. This redevelopment should be carried out in conformity with the principles laid down by Project East River -- that is, achieve a net reduction in population density in the section as part of the redevelopment plan.

3. New facilities in the section for housing Federal activities should be limited to those not performing functions that would be essential in time of war. The Bill should provide or authorize use of the Lease-Purchase Act (P.L. 519 - 83rd Congress) for the establishment of dispersed facilities in the vicinity of the Nation's Capital to house essential functions displaced by demolition of the temporary buildings.

Arthur S. Flemming
Director



THE WHITE HOUSE
WASHINGTON

AGENDA FOR THE CABINET MEETING

Wednesday, August 18, 1954, at 9:00 a.m.

1. a) Time Schedule on Japanese Trade Negotiation. ✓
(Dr. Hauge)

b) Proposed Executive Order on Buy American Legislation.
(Dr. Hauge and Mr. Randall)

✓ 2. Personnel Cuts in the Non-Military Agencies. ✓
(The President)

⊗ ✓ ✓ 3. ✓ Intensified United States Participation in International Trade Fairs, and Increased Overseas Appearances of American Cultural and Artistic Groups. ✓ ✓ ✓
(Mr. Streibert, Director
United States Information Agency)

⊗ 4. Ellis Island. (The Attorney General) ✓

5. Proposed Washington Conference of Mayors. ✓
(Governor Adams)

6. Announcement on Federal Land Study. ✓
(The Attorney General)

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DWC NLE, Date 8-4-76

MINUTES OF CABINET MEETING

August 18, 1954

9:00 A. M. to 10:45 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Under Sec. of Treasury Folsom
(for Sec. Humphrey)
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Under Sec. of Interior Tudor
(for Sec. McKay)
Sec. Benson
Sec. Weeks
Asst. Sec. of Labor J. Ernest Wilkins
(for Sec. Mitchell)
Sec. Hobby

Director of the Budget Hughes
Dr. Flemming
Gov. Stassen
Chairman Young
Dr. Arthur Burns

Gov. Adams
Mr. Rabb
Gen. Persons
Mr. Hagerty
Mr. Murray Snyder
Mr. Shanley
Dr. Hauge
Mr. Minnich

Mr. Clarence Randall and an assistant, Mr. David W. MacEachron
Mr. Theodore C. Streibert and Mr. Abbott Washburn of USIA

Personnel Cuts in Non-Military Agencies - The President called attention to a recent report which indicated that non-military agencies had not effected much of a personnel reduction. After recognizing that some agencies such as Post Office do an ever increasing volume of business, he urged Cabinet members to take an active personal interest in personnel economies as the only possible way of overcoming bureaucratic inertia. He emphasized the need for setting a firm goal and insisting on achievement of it, particularly through attrition and filling vacancies by transfer within the agency concerned. He believed greater reductions could now be accomplished as a result of nineteen months experience. He asked also that stress be placed on eliminating excess positions but not essential jobs and that increased use be made of the CSC transfer program for displaced career employees.

The Attorney General was informed that the assistance he desired for obtaining an impartial survey could be obtained from Chairman Young. Both Mr. Brownell and Mrs. Hobby noted that legislative actions had caused personnel increases in their departments.

Chairman Young indicated that a new survey of personnel levels, adjusted for seasonal and other variations, was under preparation.

(Messrs. Streibert and Washburn of USIA joined the meeting.)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DWC NLE, Date 11-18-76

The Dwight D. Eisenhower Library

Ellis Island - The Attorney General announced that the Immigration Service was transferring offices for the sake of economy from Ellis Island to Manhattan, that GSA would assume control of the facility, and that other departments might be interested in using it. He noted that the City of New York had expressed an interest in leasing the property.

Washington Mayors Conference - Gov. Adams recalled the successful Mayors Conference of last December, announced that December 2-3, had been chosen for the 1954 Conference, and requested the cooperation of Cabinet members in reserving time to participate in the program being arranged by the Federal Civil Defense Administrator. He asked that a Department spokesman be designated to speak if a Department head found it impossible to attend personally. The Governor emphasized the effectiveness of the Conferences, particularly in relation to the civil defense effort.

Inter-Agency Committee on Federal Lands within the States - The Attorney General reported that a decision had been reached on the need for an Inter-Agency Committee to study problems created by Federal ownership of lands within the states, such as refusal by a state to provide school facilities for people residing on Federal land and exempt from local taxation. The Cabinet agreed to his proposal for establishing a working group composed of representatives from Justice, Agriculture, Defense, Interior, HEW, GSA, and Veterans Administration. Inquiry would be made of the Atomic Energy Commission, Housing and Home Finance Agency, and the Post Office Department as to their interest in subsequent participation. He indicated that the Committee would keep in touch with the Kestnbaum Commission which is also studying aspects of the problem.

The President commented on the controversy existing since Revolutionary days when states rejected all responsibility for lands over which the Federal Government had jurisdiction and the ensuing era of divided responsibilities. He commented ironically on the pressure exerted by local interest groups to have Federal installations established or retained in their areas at the same time as they rejected any responsibility towards the installation.

International Trade Fair and Cultural Relations Program - Mr. Streibert called attention to the special $5 million appropriation to the President for this program and outlined the need for an exceptional effort to counteract the greatly expanded Russian activity in this field. He cited examples of recent heavy flow of exchange groups to and from Communist countries.

Mr. Streibert presented a draft Presidential letter establishing an action Committee composed of the Secretaries of State and Commerce, the Directors of the Information Agency and Foreign Operations Agency, and the Director of the Budget acting in an advisory capacity. Other agencies would be asked to participate on an ad hoc basis.

The President stated his desire to have the maximum effect derived from this small appropriation which he had secured to supplement the inadequate $75 million USIA appropriation. He emphasized repeatedly that the amount should not be used up in overhead but that FOA, Budget, and other agencies

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 11-18-76

concerned should help staff the project. He wished to insure the cooperation of the automobile industry, the farm machinery industry and other concerns which could help demonstrate that the United States is vitally interested in producing things which help people instead of destroying them.

Mrs. Hobby and Mr. Wilkins expressed a desire to have their departments represented on the Action Committee, and it was so agreed.

Approval was given also to Gov. Stassen's suggestion that the President's letter designate the Information Agency as the executive agent of the Action Committee.

(Messrs. Streibert and Washburn left the meeting. Mr. Randall and his assistant joined the meeting.)

Japanese Trade Negotiations - Dr. Hauge reported on the review made in regard to the timing of announcements for these negotiations. He set forth a proposed plan for giving informal notice, about September 1st, to the Tariff Commission of the intent to open negotiations, for sending a secret tentative list of items to the Commission about September 15th, and for issuing a public list of items in November. He noted that this procedure, if approved, would carry out the earlier recommendation of the Secretary of Commerce and still allow completion of negotiations by the deadline of June 12th.

The President questioned the advisability of this approach in preference to delaying initiation and pressing Congress in January for immediate action to extend the authority given in the Reciprocal Trade Agreements Act which expires in June. Dr. Hauge reported the State Department's unwillingness to rely on Congress to extend the Act. Messrs. Wilson, Brownell and Stassen voiced disapproval of resorting to a secret list. Mr. Stassen believed publication of the list would be beneficial by eliminating uncertainty as to items concerned and that the question would not become an election issue in any event for the Democrats would not want to make it one. Mr. Wilson believed the list would not be kept secret. Dr. Hauge suggested the possibility of having the Trade Agreements Committee rather than the President transmit the list to the Tariff Commission.

The President commented that he did not want to endanger the possibility of obtaining a reasonable agreement on Japanese trade by depending on extension of the Act, and he recognized the possible adverse effect publication of the list would have in regard to securing an extension of the Act.

(Secretary Dulles joined the meeting at this point.)

Secretary Weeks stated that Congressional leaders would not at all like having this matter injected into the campaign. The President replied concerning his dislike of any failure by Congressmen to live up to their responsibilities in a matter as essential to the national interest as this. The President then recounted parts of the preceding discussion to Secretary Dulles.

It was agreed that Dr. Hauge would again have the subject reviewed to devise a procedure not involving transmission of the list by the President.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By NLE, Date 8-4-76

Buy American Act - In presenting the draft Executive Order on this subject prepared by a working group representative of eighteen interested departments and agencies, Dr. Randall emphasized the importance of the order for achieving large monetary savings and eliminating serious diplomatic misunderstandings which have resulted from lack of clarity and stability in our policy, and he pointed out that the governing Act was a depression concept not designed for use in a prosperous era. He indicated that the only two major disagreements concerned the timing of the order and the amount of the differential to be set. He stated that about two-thirds of the agencies concerned had approved the draft which he then read. It called for a differential of 5% to be computed on basic price (excluding duty, etc.) but applied for purposes of bid comparisons on top of the price of the material including duty, etc. The order provided also for a number of exceptions to policy where such things as encouragement of small business, critical unemployment areas, or mobilization requirements were involved.

Secretary Wilson believed the differential should be computed on the price with the duty included. Mr. Brownell made the legal point that the President had power to establish a uniform policy within the statute but not to emasculate the statute by an unreasonably low differential. He recalled the Congressional debate on the Act when Hiram Johnson insisted on a differential of more than 5%. Mr. Wilson suggested a differential of 6 or 7%, including duty in the computation. The President wondered if Senator Johnson had wanted the duty included in the computation. Mr. Tudor noted that the normal spread of bids was more than 5%. Mr. Weeks stated the Commerce Department preference for a 10% differential or at least a different basis of computation. Mr. Folsom believed it unfair to include duty in the computation. The President suggested increasing the percentage without including duty since the Government recovers the duty. Sec. Wilson compared the recovery of taxes paid by domestic firms. Dr. Hauge pointed out that changing any one of three variables in this matter would have considerable effect, that the measure contained many loopholes, and that it should not be regarded as a drastic one. Mr. Randall stated that he was not concerned as to which variable was changed should the order be modified.

Sec. Wilson suggested a Congressional intent to prevent dumping and expressed his belief that a differential of 5-7% would suffice. He stated his desire to eliminate loopholes by having a thoroughly firm policy, and he asked for a declaration of the differential to be used in regard to critical unemployment areas. The President thought the differential in certain cases might range up to 100%. Mr. Wilson believed the differential in this respect should be limited to about 10% above a basic 6% and that the Government should not pay a large premium for distressed areas. The President cited the heavy "premiums" paid in the Quincy shipyard and Pennsylvania locomotives cases. Dr. Flemming then cited the need for the Government to be prepared to apply this policy quickly in favor of distressed areas, as also in regard to mobilization needs. However, no specific determinations were made.

The President queried the need for issuing this order at the present time. Mr. Randall asserted it was needed to fulfill an Administration pledge as well as to allay diplomatic concern. He indicated in response

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By 8HC NLE, Date 8-9-76

to another query of the President that the volume of trade involved in this matter was considerable.

Sec. Dulles spoke forcefully and at length on the diplomatic urgency of this order since it involved the whole complex of our relations with other countries and of those countries with the Soviet orbit. He deplored the tendency he detected to regard the proposed order as a "give-away" program when it was really a matter of basic U.S. interests, particularly by virtue of helping to strengthen our export trade. He stressed that pressure groups operate strongly against easily identified imports while the not so easily identified impact on exports caused the latter to suffer. He stressed that the President was the one person in government who could be expected to take the long range view and that should he not do so it would be folly to expect Congressmen to disregard local pressures in favor of the long range national interest. He believed the order was completely defensible and would not be a political mistake, and he emphasized that the U.S. was not operating in a depression complex.

The President in reply stated his readiness to exercise expressed and implied powers of the Presidency; but he had to recognize the governing statute, the responsibility of Congress in this subject, and the recent action of Congress in striking out the Administration request for modification of the Buy American Act. Nevertheless, he said, the Administration had some leeway, but the 5% figure was shockingly low in view of the long standing 25% differential. After the Secretary of State said he mainly wanted a settlement without insisting on a 5% differential, the President continued by suggesting that a considerable change would be accomplished from a diplomatic viewpoint if the differential were set at something like 10% at the port of entry or 6% on the delivered price. A brief discussion then ensued in which considerable favor was expressed for this suggestion.

It was agreed that Mr. Randall should have the President's proposal checked in detail for any unrecognized complications.

Sec. Weeks commented that considerable damage to the Administration might result from rushing this order for a mere few months time. Gov. Adams took note of the Administration policy of full consultation with Congressional leaders. He suggested that final action on the order be based on a consensus of both Executive and Congressional officials. In response to a query of the President's, Sec. Dulles believed it undesirable to give informal indications to foreign diplomats prior to final approval.

Sec. Wilson then suggested that the President's proposal be used on a trial basis by the departments and agencies and that exceptional cases be brought to the President's attention. Mr. Flemming reacted favorably to this idea but hoped that informal implementation could be achieved in connection with the draft provisos concerning unemployment areas and mobilization needs. The President thought it undesirable to set a fixed differential for distressed areas, and Sec. Wilson urged again an extra 10% for them in most cases with a larger differential for very bad situations. Mr. Flemming indicated that the greatest need in this respect was to organize

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DWE NLE, Date 8-4-76

the machinery for handling such cases, and the President directed him to go ahead with such organization. Sec. Wilson volunteered to help Mr. Flemming.

The President indicated that handling the matter on a case by case basis would effect eventual establishment of policy. Mr. Wilson expressed agreement, and Sec. Dulles stated his belief that such handling would be adequate provided there was uniformity among all agencies concerned.

The proposed order as modified by the President's suggestion was then informally approved as a guide for the agency heads concerned with the understanding that the Randall group would review, for any unforeseen complications, the President's suggested modification.

Mr. Tudor foresaw repercussions if Interior deviated from the 25% differential it had consistently been using. The President commented on experiences where a 25% differential had merely encouraged high domestic bidding as in the Westinghouse case. He directed that any exceptional cases be brought to his attention.

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

THE WHITE HOUSE
WASHINGTON

PERSONAL AND CONFIDENTIAL August 18, 1954

COPY FOR MRS. WHITMAN

The following notes are sent you as an aide-memoire in regard to the projects of particular interest to you discussed at this morning's Cabinet meeting:

Personnel Reductions in Non-Military Agencies - The President urged Cabinet members to make a determined effort to eliminate excess positions, to fill essential vacancies or new positions with personnel already available within the departments, and to utilize to the maximum extent the Civil Service transfer program for well qualified employees.

Chairman Young will stand ready to assist in any necessary policy review within a department in connection with this effort.

Ellis Island - The Cabinet was informed that the Immigration Service is vacating Ellis Island and that the facilities there could be made available by GSA should any department or agency desire them.

Washington Conference of Mayors - Cabinet members were requested to reserve time on December 2nd-3rd for the program being arranged by Governor Peterson for this Conference or to designate a Departmental spokesman should they be unable to participate personally.

Inter-Agency Committee on Federally Owned Lands - The Attorney General will make arrangements for an Inter-Agency Committee to study problems created by Federal ownership of land within the States. An initial working group will include representatives of Justice, Defense, Agriculture, Interior, Health, Education and Welfare, GSA and Veterans Administration, and other interested agencies will subsequently be asked to participate.

The Committee will keep in touch with the Commission on Inter-Governmental Relations, which will act in an advisory capacity.

International Trade Fairs and Cultural Relations - The President approved the formation of an action committee consisting of the Departments of State, Commerce, Agriculture, Labor, Health, Education and Welfare, the United States Information Agency and, in an advisory capacity, the Director of the Budget. Other departments and agencies concerned will be consulted on an ad hoc basis.

COPY FOR MRS. WHITMAN

PERSONAL AND CONFIDENTIAL

To   August 18, 1954 - page 2

The President emphasized the need for Cabinet members to give all possible support to assure maximum effectiveness of the limited funds authorized for this program.

Japanese Trade Negotiations - Dr. Hauge will coordinate arrangements for initiating appropriate study of this matter.

Sincerely,

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

TENTATIVE AGENDA FOR THE CABINET MEETING

Wednesday, August 18, 1954, at 9:00 a. m.

1. Proposed Executive Order on Buy American Legislation.
(Mr. Randall and Dr. Hauge)

This proposed Executive Order on Buy American would carry out that part of the Presidential Message on Foreign Economic Policy calling for a clarification of existing practice with respect to this legislation.

Estimated time for formal presentation: 10 minutes

2. Personnel Cuts in the Non-Military Agencies.
(The President)

A recent survey indicates that non-military agencies of the Government have only decreased their personnel by three percent. It is felt that this calls for a re-evaluation of the personnel situation. Governor Adams will brief you on this item.

3. Intensified United States Participation in International Trade Fairs, and Increased Overseas Appearances of American Cultural and Artistic Groups.
(Mr. Streibert, Director,
United States Information
Agency)

This item~~s~~ is the outgrowth of Cabinet discussions on this subject and the result of the President's special $5,000,000 supplemental request. What is involved here is the establishment of an interdepartmental Committee to push this program.

4. **Ellis Island.** (The Attorney General)

The Attorney General wants to inquire as to whether there is any objection to the closing of Ellis Island for economy reasons.

Estimated time: 3 minutes

5. **Proposed Washington Conference of Mayors.**
(Governor Adams)

Estimated time: 2 minutes

Respectfully submitted,

Max Rabb

Maxwell M. Rabb

July 1, 1954

EXECUTIVE ORDER

- - - - -

PURCHASES BY THE GOVERNMENT OF THE UNITED STATES; PREFERENCE FOR DOMESTIC PRODUCTS

Whereas it is in the national interest to achieve greater economy, efficiency, and uniformity of practices, in procurement by the Government of the United States; and

Whereas in the administration of the Act of March 3, 1933, as amended (47 Stat. 1520; 41 USC 10a-10d), and other laws which permit purchase by the Government of the United States, its executive departments, agencies, and independent establishments, or otherwise for public use, of articles, materials and supplies of foreign origin after a determination that (a) the price of the like articles, materials, and supplies of domestic origin is unreasonable or (b) the purchase of such articles, materials, and supplies of domestic origin is inconsistent with the public interest, the heads of all executive departments, agencies and independent establishments are required to determine whether the price of such articles, materials and supplies of domestic origin is unreasonable or whether the purchase of such articles, materials, and supplies is inconsistent with the public interest;

By virtue of the authority vested in me as President of the United States of America, it is hereby ordered as follows:

1. The bid or offered price of articles, materials, and supplies of domestic origin shall be deemed unreasonable or the purchase of

such articles, materials, and supplies inconsistent with the public interest if such bid or offered price exceeds the bid or offered price of like articles, materials, and supplies of foreign origin by more than 5 percent. The 5 percent differential shall be computed on the bid or offered price of the articles, materials, and supplies of foreign origin exclusive of applicable duty and all elements of cost of domestic origin included in the price of such articles, materials, and supplies of foreign origin; provided, however, that where the bid or offered price of the articles, materials, and supplies of foreign origin is less than $25,000, the differential shall be calculated on the bid or offered price of the articles, materials, and supplies of foreign origin, exclusive only of applicable duty. The 5 percent differential, having been calculated in the manner described in the previous sentence, shall be added to the bid or offered price of the articles, materials, and supplies of foreign origin, including the applicable duty and all elements of cost of domestic origin, for purposes of comparison. Articles, materials, and supplies shall be considered of foreign origin when the cost of foreign products used in such articles, materials, and supplies constitutes 50 percent or more of the cost of products used in such articles, materials, and supplies.

2. Nothing in this order shall affect the authority or responsibility of the head of an executive department, agency or independent establishment.

a. To reject any bid or offer for reasons other than unreasonableness of price or inconsistency with the public interest as defined in paragraph 1 of this order; or

b. To place a fair proportion of the total purchases with small business concerns in accordance with Section 302 (b) of the Federal Property and Administrative Services Act of 1949, as amended, Section 2 (b) of the Armed Services Procurement Act of 1947, as amended, and Section 202 of the Small Business Act of 1953; or

c. To reject a bid or offer to furnish articles, materials or supplies of foreign origin in those situations where the domestic supplier offering the lowest price for furnishing the desired articles, materials or supplies undertakes to produce substantially all of such articles, materials or supplies in areas of persistent and substantial unemployment, as determined by the Secretary of Labor in accordance with appropriate regulations as he may establish and during such period as the President may determine that it is in the national interest to provide such preference to such areas; provided that nothing in this section shall prevent the rejection of a bid or offered price which is excessive.

d. To reject any bid or offer for articles, materials, or supplies of foreign origin if necessary to protect essential national security interests after receiving advice from the President or any officer of the Government to whom the President may delegate responsibility to furnish such advice.

3. The heads of executive departments, agencies and independent establishments concerned shall make such supplementary regulations as may be necessary to insure that their procurement practices conform with this order.

This order shall become effective on 1954.

Analysis of Changes in Employment of Federal Executive Agencies

Employment in the Federal executive agencies in the continental United States totaled 2,138,087 on June 30, 1954, an actual decrease of 203,405 employees or 8.6 percent since January 31, 1953. Employment increased in June 1954 for the first time in 23 months.

Because June employment totals always include some temporary seasonal employment, a comparison of non-temporary employment will be a better measure of the accomplishments of this administration. We have therefore compared June 1954 totals in other than temporary jobs with the totals reported for similar jobs in December 1952, the month before the new administration took office.

The attached table shows non-temporary employment reported by the larger agencies.

You will note that the change for the State Department, U. S. Information Agency and the Foreign Operations Administration has been computed for the group rather than for each agency. The latter agencies were created by Presidential Reorganization Plans No. 7 and 8 in August 1953 which divided functions then being performed by the Office of the Director for Mutual Security, the Mutual Security Agency and State Department between that Department and the two new agencies. Because of this multiple shifting of functions, figures for the three agencies as a group present a more objective appraisal of their change in employment.

Non-temporary Employment in selected Federal agencies, in continental United States June 30, 1954 and percent changes since December 31, 1952

Agencies	Number of Employees	Percent Change
TOTAL, EXECUTIVE BRANCH	2,063,466	- 11
Department of Defense	1,006,056	- 16
Office of Secretary	1,721	- 17
Army	375,662	- 21
Navy	378,032	- 13
Air Force	250,641	- 9
TOTAL NON-DEFENSE AGENCIES	1,057,410	- 5
Post Office Department	482,128	- 2
Veterans Administration	163,261	+ 1
TOTAL ALL OTHER	399,343	- 8
Department of State	5,604)	
U.S. Information Agency	2,172)-	- 23
Foreign Operations Administration	1,472)	
Treasury Department	79,201	- 8
Justice Department	30,102	+ 1
Interior Department	41,188	- 9
Agriculture Department	58,111	- 2
Commerce Department	37,138	- 29
Labor Department	4,737	- 20
Health, Education and Welfare Department	35,478	- 2
Atomic Energy Commission	6,110	- 9
Civil Service Commission	4,311	- 17
General Services Administration	26,220	- 7
Housing and Home Finance Agency	10,445	- 15
National Advisory Committee For Aeronautics ..	7,074	- 2
Reconstruction Finance Corporation	980	- 56
Selective Service System	7,200	- 8
Tennessee Valley Authority	23,768	+ 15
40 Other smaller agencies	17,723	- 4

U.S. Civil Service Commission
Aug. 17, 1954

COPY

(DRAFT)

THE WHITE HOUSE

Dear Sinclair,

Congress today acted favorably upon my special supplemental request of July 27, copy of which is attached, for $5 million to be used at my discretion to meet extraordinary or unusual circumstances arising in the international field.

Among the purposes of this fund, as you know, is to provide for more intensive United States participation in international trade fairs and to encourage private American groups to travel abroad and share with other nations our cultural and artistic achievements.

To assist me in making effective and immediate use of these funds, I am asking that an action group be established including the Secretary of State, the Secretary of Commerce, the Director of the Foreign Operations Administration, and the Director of the U. S. Information Agency. The Secretary of State will serve as Chairman, and the Director of the Bureau of the Budget will act as advisor to this group. Other Departments and Agencies may be asked to participate as appropriate.

HEW

It is my intention to authorize this action group to appoint such special advisors and staff as may be necessary to inaugurate this program and secure the maximum cooperation of American industry and cultural organizations.

Due to the pressing need for early action, I hope you will find it possible to keep in close personal contact with the development and progress of this program.

Sincerely,

DWIGHT D. EISENHOWER

The Honorable
Sinclair Weeks,
Secretary of Commerce.

see file: Action Committee on International Trade Fairs & Cultural Activities

CA - 1
(Revised)

October 18, 1954

THE WHITE HOUSE

Washington

THE CABINET

Cabinet Agenda

8:30 AM
Tuesday, October 19, 1954

1.	Review of the Foreign Situation See tab: ITEM 1	(Oral)	The Secretary of State
2.	Progress Report on White House and Cabinet Staff Work See tab: ITEM 2	CI-1	The Assistant to the President
3.	Review of the Economic Situation See tab: ITEM 3	CI-2	The Chairman, Council of Economic Advisers
4.	Progress Report on Current Economic Operations See tab: ITEM 4	(Oral)	The Director of Foreign Operations
5.	The Election Campaign See tab: ITEM 5	(Oral)	The Postmaster General
6.	Future U. S. Participation in the United Nations Technical Assistance Program (UNTA) See tab: ITEM 6	CP-1	The Director of Foreign Operations

Maxwell M. Rabb
Secretary to the Cabinet

RA - 1
October 20, 1954

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the first Fall Cabinet Meeting, October 19, 1954:

Item — Document Number

1. Review of the Foreign Situation
ACTION: The Acting Secretary of State will prepare, on an urgent basis a succinct, unclassified resume of this Administration's accomplishments in foreign affairs, including its record of Congressional consultation. This resume is then to be distributed immediately to Cabinet Members and others concerned -- for inclusion, as appropriate, in speeches and other public statements.

2. Progress Report on White House and Cabinet Staff Work
ACTION: Formal Cabinet papers, even though not bearing a security classification, are to receive full security protection within the recipient Departments.

3. Review of the Economic Situation — CI - 2
ACTION: The Chairman of the Council of Economic Advisers will prepare, on an urgent basis, a resume of his Report at the Cabinet Meeting. This resume is also to be distributed immediately to Cabinet Members and others concerned for inclusion, as appropriate, in speeches and other public statements.

4. Progress Report on Current Economic Operations
ACTION: The Under-Secretary of Agriculture and the Director of Foreign Operations are to consult and work out, if feasible, an immediate placing of an FOA order for domestic eggs and poultry.

5. [Informational item.]

6. Future U. S. Participation in the United Nations Technical Assistance Program (UNTA) — CP - 1
ACTION: The President approved this paper as the Executive Branch position on this subject. Congressional leaders are to be consulted before final action is taken at the UN; if any serious problems arise during this consultation they shall be brought back to the President.

Maxwell M. Rabb
Secretary to the Cabinet

MINUTES OF CABINET MEETING

October 19, 1954

8:30 A. M. to 11:10 A. M.

The following were present:

President Eisenhower

Sec. Dulles, and
  Under Sec. Herbert Hoover, Jr.
Under Sec. Marion Folsom
  (for Sec. Humphrey)
Sec. of the Army Stevens
  (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Sec. McKay
Under Sec. True D. Morse
  (for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Deputy Director Brundage
  (for Director Hughes)
Gov. Stassen
Dr. Flemming
Chairman Young

Dr. Burns
Hon. Preston Hotchkiss,
  Economic and Security Council
  of the United Nations

Gov. Adams
Gen. Persons
Mr. Hagerty (in part)
Col. Goodpaster
Mr. Rabb
Mr. Paterson
Dr. Hauge
Mr. Shanley
Gen. Cutler
Mr. Harlow
Mr. Morgan
Mr. Snyder
Mr. Martin
Mr. Minnich

Review of the Foreign Situation - In reporting on foreign affairs during the past six weeks, Sec. Dulles stressed that, with the exception of rejection of EDC, events were satisfactory and encouraging.

Concerning the South East Asia treaty, he recalled that the President had called for such a treaty as early as April 16, 1953, that the US had hoped to achieve it prior to the end of the Indo-China war but that French urgencies had led to the Geneva Conference and the peace agreement prior to development of the treaty. He indicated that the US had originally desired, in the interest of avoiding involvement in local quarrels, to direct the Manila treaty primarily against Communist aggression, that the other nations had been averse, and that the treaty had then been shaped as they wished. Ironically, the other nations reversed themselves at the last moment but it was considered too late to rewrite the treaty. He referred also to the so-called Pacific Charter, sponsored by Magsaysay, as a highly important document in behalf of self-Government and against colonialism.

Mr. Dulles commented on the lack of a strong government in southern Vietnam where French support of Premier Diem is only half-hearted. He feared that southern Vietnam might follow the path of northern Vietnam. He viewed the situation in Laos and Cambodia as good.

In connection with the opening of the UN General Assembly, he stressed his speech on the President's program for peaceful use of atomic energy and the indication that Russia is now altering its position and may participate.

Concerning Europe, Mr. Dulles recounted the action of the Nine-Power London Conference on the problems of restoring German sovereignty, creating a defensive unity mechanism to replace EDC, and bringing Germany into NATO. The basic reason for success, he believed, was the historical commitment made by Mr. Eden for keeping four divisions and a tactical air force on the Continent. Mr. Dulles had made clear to Mr. Churchill that the United States could not make a similar commitment without having solid indication of Europe's determination on unity. He complimented Mr. Adenauer on his statesmanlike role and referred to the Saar as the only major problem threatening the work of the London Conference. He indicated that the US would probably be asked for further commitments at the NATO meeting with regard to European control over military equipment provided by the US, and also guarantees of a Saar settlement. He stated that the US was trying to help but could not make binding agreements.

Mr. Dulles concluded by noting our relations with Europe are very good, now that European nations have become accustomed to our new "tougher" policy. He also cited the bipartisan consultation with Congress and the ensuing strong Congressional support of current policy.

Mrs. Hobby requested a State Department memorandum on the final points, and Mr. Dulles indicated it could be added to an informal memorandum already being prepared at the request of the President.

(The President and Mr. Dulles crossed paths respectively entering and leaving the Cabinet meeting, between this agenda item and the next.)

Report on Staff Work - Governor Adams, Col. Goodpaster, and Mr. Rabb made brief comments on developments of the staff work project, placing emphasis on organization of the points of contact, avoidance of paper work, use of covering briefs, reporting verbal agreements, planning and follow-up of Cabinet agenda, and particularly protection of Cabinet papers against leaks. Mr. Rabb reported the agreement of the Department of Justice that effective provision for the security of these papers would be arranged.

Mr. Rabb emphasized the need for early preparation of State of the Union material now past due.

Economic Situation - In discussing the unemployment situation, Dr Burns indicated that the September Census Survey showed 3.1 million unemployed and that further improvement had since occurred. He stated that the rate had declined from 5.8% last March to 4.8% in September, due largely to seasonal improvement but in part to genuine recovery. Of the 3.1 million unemployed, 1.8 have been so more than one month and 800,000 for more than fifteen months, with an average of twelve and a half weeks of unemployment.

Dr. Burns stated that the burden of unemployment has fallen, as usual, more heavily on women than on men and on colored than on white workers.

He reported that unemployment had been concentrated most heavily in the manufacture of heavy goods and, geographically, in West Virginia, Kentucky, New Hampshire, Michigan, Tennessee, and Pennsylvania. He cited the particular cities having the highest unemployment rates, led by Flint, Michigan, with about 22%.

In comparison with earlier times, he indicated that the rate had been lower in the period 1942 through 1946 and 1951-1953.

Dr. Burns then reviewed statistics in the attached table, which contradicts the Democrats' argument that new records should be set by the American economy every year -- between 1943 and 1953, there were no new record years. He noted the present favorable situation in regard to per capita disposable income, which he believed a most important indicator.

Dr. Burns then quoted a letter to the President from Lew Douglas, urging frequent repetition of the statistics which show the Democratic Party as being the party of unemployment instead of the Republican Party.

The President emphasized the final remark by urging frequent statement of the facts by inclusion of a brief appropriate paragraph in every speech. He feared that so much publicity had been given to a so-called depression that people were accepting the idea. He himself wished to emphasize that 1954 was our best peacetime year, and he referred also to extensive accomplishments in legislation and foreign policy. Dr. Burns was requested to provide a brief written statement making use of the most significant statistics he cited.

Mr. Folsom reported figures for the third quarter of 1954, showing that average weekly earnings were holding up well, that retail sales volume was increasing as also disposable income and personal consumption expenditures.

Current Economic Operations - Gov. Stassen recalled the twelve areas for action reported last August and indicated that all were going well, with the exception of the inland interest rate and agricultural prices, particularly eggs and poultry. With regard to ship construction contracts, he suggested that additional contracts would be in order next year to prevent a new sag in 1956 by virtue of the time lag.

The President requested Sec. Stevens to check up on a project, previously given to Mr. Wilson, to look into the contract situation with regard to the Studebaker plant in South Bend. He also cited the need for emphasizing in public addresses the high Administration regard for the FHA program which had become suspect among the public following the recent scandal.

(The President left the meeting for a few minutes.)

Mr. Brownell asked about legal authority for FOA to split the order on locomotives, purchasing some at higher cost than necessary. Gov. Stassen replied that he was required to accept the lowest foreign bid for foreign purchases and the lowest domestic bid for domestic purchases, but that he did not have to exclude domestic bids even though higher than foreign.

The Postmaster General cited the importance of egg prices as pocket money for farmers' wives. Gov. Stassen replied that the decision not to support egg prices had already been made by the Secretary of Agriculture and the President.

(The President returned to the meeting.)

Mr. Stassen referred again to agricultural income and stated that Agriculture had not yet decided to renew its beef purchases for the school lunch program as in 1953. Mr. Morse explained to the President that the beef program had been inspired by an unusual movement of cattle to the market because of the drought, that items for the school lunch program are ordinarily provided by Agriculture when it has CCC surpluses on hand, that appropriations for the lunch program are made direct to the schools, and finally that the cattle industry itself was not concerned with "canners" this year and advised against Government buying. When the President asked if eggs and poultry could be used in the school lunch program, Mr. Morse emphasized that in his knowledge this surplus was of concern to commercial producers but not to ordinary farmers, that the egg situation will get much worse later on, that Government purchasing would aggravate the situation, and that the Democrats had had four years of very bad experience in such programs.

He added that agricultural purchases of this type would institute an entirely new approach to the school lunch program. Mr. Stassen questioned this interpretation of the farmers' attitude and recalled the fine effect of the beef purchase program last year. The Postmaster General repeated his report of the farmers' wives' protests. Mr Morse recalled the protests of local merchants last year against the beef purchase program. In response to the President's question he indicated that Agriculture was informing the public of "best buys". Mr. Stassen then suggested that even slight purchasing by the Government can be effective in strengthening the market in a period of decline.

The President recalled his experience with soldiers who refused to eat powdered eggs, and questioned if any disposal plan existed should the Government initiate purchases. Mr. Morse and Mr. Stassen agreed they would have to be sold on the foreign market which would involve a 20% subsidy by virtue of the world price. Mr. Morse stated that no problem existed as far as filling orders for FOA programs was concerned but that it would be a major problem for Agriculture to undertake a price support program even in the broad sense. The President commented that should FOA need eggs the Government might announce some purchasing, as was done in regard to zinc in order to fulfill needs at the lowest prices.

It was agreed that FOA would state its requirements for eggs and hens in a letter to Agriculture.

Mr. Morse noted that the worst was over in regard to agricultural price adjustments and that the Agriculture Department was undertaking to tell fully the achievements in this respect. Governor Stassen called attention to pessimistic predictions on parity and hog prices, and he hoped that a more constructive note could be taken.

In regard to the coal purchase program, Governor Stassen cited the difficulty of correlating purchases with unemployment areas and union labor, since the lowest price came from strip mining and cut rate operators. Mr. Flemming reported on studies being made by the Committees on Soft Coal and on Energy Resources. The Postmaster General took note of Sen. Barkley's statement that no coal would be bought in Kentucky, and Mr. Stassen assured the Cabinet that coal would be bought in Kentucky.

The President called attention to the general problem of surpluses in the US economy and the need for increasing consumption. Dr. Burns suggested the possibility of reducing production in some areas and increasing it in others. The President then commented that he would favor a large educational program if specific recommendations could be had. Dr. Burns suggested they could be had from the free price system. The President remarked ironically on the reluctance of many people to let the free price system operate. He remarked also that it was generally agreed that the Administration had made a good change-over from wartime to peacetime production but that it seemed impossible to get the story across.

UN Technical Assistance Program - Following Governor Stassen's presentation of the Cabinet paper on this subject, Mr. Mitchell stated his concurrence as did Mrs. Hobby, but Mr. Morse emphasized that Congress should be taken into consideration particularly because the Senate Appropriations Committee was currently engaged in a study of the subject. He urged that final decision be delayed. Governor Stassen declared that action was necessary for the December meeting of the UN General Assembly, and that it would be desirable to firm up Executive policy as a basis for discussion with Congressional leaders. He added that certain agricultural and labor elements feared this proposal as an entering wedge against the FAO and the ILO, and he reassured the Cabinet that no further action beyond this proposal was contemplated.

It was agreed that the Executive Branch position would be as recommended in the paper, that this position would be coordinated with Congress, and that the subject would be brought back for further discussion if any serious difficulties were encountered.

(The President left the meeting at this point.)

The Election Campaign - In commenting on the election situation, Mr. Summerfield cited the need for recognizing that public favor for a Republican Congress did not equal the public's support of the President, and emphasized that Republicans had to put forth greater effort to attract the independent voters, that greater attention should be given to the FHA scandals, that the President might well follow the Roosevelt pattern of appealing to the people in an informal talk shortly before the election, that he emphasize the need for a Republican Congress, etc.

Mrs. Hobby reported on the need for further emphasis on the social security legislation and offered to circulate immediately to the Cabinet a brief memorandum on this accomplishment. Sec. Mitchell indicated his practice of pointing to the role of Committee Chairman and what could be expected from Democratic Representative Barden as Chairman of the Labor Committee.

Governor Stassen suggested the desirability of having more solid evidence of firm Republican support for the President's program to offset the discordant notes of last year.

* * * * * *

In reply to Sec. Weeks, Mr. Rabb indicated a general feeling that the next Cabinet meeting should follow after the election.

L. A. Minnich, Jr.

Copies to: Mrs. Whitman
Mr. Rabb
Mr. Minnich

THE WHITE HOUSE
WASHINGTON

October 12

Max -

Attached for your approval is a draft briefing memorandum for Gov. Adams' use when he gives the oral progress report on this subject at the first Cabinet Meeting.

Col. Goodpaster and Art Minnich have, as you see, OK'd it. With your approval, I'll put it in final form under a note for your initials to the Governor.

Brad

O.K
MMR

Brad

Looks good to me

SAM

Me too AJS

DRAFT

PROGRESS REPORT ON WHITE HOUSE AND CABINET STAFF WORK

1. "Orientation"

a. Distribution of Booklets

Each Cabinet Department has been given, through its Special Assistant, the number of copies which it requested. Additional copies are available, but will be given out by the White House only through the Special Assistant's office in each Department. Distribution should be governed by the principle that this booklet should be put in the hands of all those officers whose knowledge of its contents is going to be essential in order to have the staff system work.

This booklet is to remain strictly within the Executive Branch until further notice.

b. Internal Agency Briefings

Several Departments (HEW, Commerce, Interior, Agriculture, FOA, Budget) have arranged for the Camp David presentation on Staff Work (charts, etc) to be shown internally as helpful orientation concerning this strengthened system of staff operations. The presentation is still available for this use, should any of the other agencies desire it, or if repeats are requested.

2. Staff Operations

a. Designation of Agency Special Assistants

The ~~identification of~~ Departmental Special Assistants ~~will be is complete with the designation of an officer from the Post Office Department.~~ have all been designated.

A~~ppropriate~~ directory of these officers has been circulated as a Cabinet information paper~~,~~ (CI - 1).

b. Introduction of Colonel Goodpaster

Colonel Goodpaster to be introduced briefly, in person.

c. Importance of lateral coordination

Inadequate lateral coordination is a disservice to the President and means wasted time. The Special Assistants now form a circle of contact points which will be helpful not only to the White House staff but also to any individual Department to speed up lateral coordination.

d. In general: Appropriate internal Departmental instructions should be issued to support the principles and procedures outlined in the booklet, especially the Covering Brief as described on page 11.

3. Cabinet Operations

a. Max Rabb, of course, continues as Secretary to the Cabinet.

b. The Cabinet Secretary's office has established liaison arrangements with the Staff Director of each Cabinet Committee -- so that the President and the Assistant to the President have one central point of information on what the job of each Committee is and how it is coming along.

c. Attention might be called to the new format for Cabinet papers, and to the goal of the Cabinet Secretary to have all important documentation circulated well in advance of the meeting.

d. We are asking, for the convenience of the President and other Cabinet members, that each item to be discussed at Cabinet Meetings be accompanied, with rare exceptions, by a brief paper--

- i. If the item is for action: by an adequate staff paper with clear recommendations.
- ii. If the item is for information: by a short summary of the matters to be discussed.

This will speed our meetings and keep all of us better informed.

e. With the Special Assistants designated, and our staff system in operation, we now have a quick mechanism for consultation and coordination on Cabinet items. What this means is that the Cabinet is now, perhaps for the first time in its history, equipped to function in a business-like manner -- and give thorough and systematic consideration to major problems of government. We, therefore, can expect Cabinet Members not to hesitate to bring forward into this forum problems which the collective wisdom around this table can help them solve.

f. In General

Staff and Cabinet operations are going to be kept flexible, and adaptable to exceptional occasions.

The objective is not to create new stacks of paper-work, but to keep our work businesslike and efficient, to save time and avoid lost motion and lost decisions.

CI - 3

October 20, 1954

The White House

Washington, D. C.

THE CABINET

Directory of Cabinet and Major Interdepartmental Committees

For information of Cabinet Members and their Departmental staffs, attached is a Directory of the five formally established Cabinet Committees and the eleven major interdepartmental committees established by White House action and expected to report to the President and/or the Cabinet.

This Directory does not attempt to include committees within either the NSC or the NAC framework, nor those interdepartmental committees which report directly to or advise Heads or other officers of individual Departments.

The Directory concludes with a listing of those interagency Committees which can be considered as terminated.

This Directory will be revised periodically, so that it will be current.

Any changes or, more important, any additions of similar groups not listed here, should be communicated to the Cabinet Secretary's office.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR INFORMATION

DIRECTORY OF

CABINET AND MAJOR INTERDEPARTMENTAL COMMITTEES
As of October 18, 1954

I. CABINET COMMITTEES

A. Cabinet Committee on Minerals Policy

1. **Established:** October 26, 1953, by Presidential Letter

2. **Terms of Reference:** The establishment of a national policy relating to the production and utilization of minerals and metals.

   To point the way to the solution of a wide range of problems, e.g.--

   a. The prudent use and development of domestic mineral resources.

   b. Assuring access to necessary sources abroad.

   c. Ensuring the availability of mineral raw materials adequate to meet the ever growing requirements of our expanding economy and also any contingency during the uncertain years ahead.

   d. Alleviating the depressed conditions within numerous metal mining districts.

   e. Preserving the newly added economic strength, represented by the expanded facilities of the mining industry, through policies that would be consistent with our other national and international policies.

   (Adapted from President's letter of October 26, 1954)

3. **Membership:**

   Interior (Chairman)
   State
   Commerce
   ODM
   Budget (Consulting Agency)
   Treasury (Consulting Agency)

4. **Reporting date:** March 31, 1954 (extended); Final Report dated October 14, 1954.

5. **Staff Director:** Mr. John Liebert, Department of the Interior

B. Cabinet Committee on Water Resources Policy

1. **Established:** May 26, 1954, by Presidential Letter.

2. **Terms of Reference:** To undertake a comprehensive review of all aspects of water resources policy, looking toward modernization of federal policies and programs in this field, in order to make the best use of every drop of water which falls on our soil or which can be extracted from the oceans.

   To make recommendations for the strengthening, clarification and modernization of water policies, together with a suggested approach to the solution of the organizational problems involved.

   To help avoid piecemeal or stop-gap measures and inconsistent policies on the part of our Federal Agencies.

   (Adapted from President's letter of May 26, 1954)

3. **Membership:**

   Interior (Chairman)
   Defense
   Agriculture
   Commerce (*ad hoc*)
   HEW (*ad hoc*)
   Budget (*ad hoc*)

4. Reporting date: March 1, 1955 (Preliminary Report by December 1, 1954).

5. Staff Director: Mr. Carl V. Youngquist, Department of the Interior.

C. Cabinet Committee on Transport Policy and Organization

1. Established: July 12, 1954, by Presidential Letter

2. Terms of Reference: The exploration and formulation of policy and organizational recommendations covering the whole field of transportation, in broad perspective, taking into account the overall needs of the Nation as well as the special problems and capabilities of all forms of transportation.

   To make a comprehensive, up-to-date review of overall transportation policies and problems as an aid in assuring overall consistency on Government policies and programs concerning particular branches of the transportation industry.

   To review the organization of the Federal Government to cope with transportation problems.

   (Adapted from the President's letter of July 12, 1954)

3. Membership:

   Commerce (Chairman)
   Defense
   ODM

   Treasury (ad hoc)
   Post Office (ad hoc)
   Agriculture (ad hoc)
   Budget (ad hoc)

4. Reporting date: December 1, 1954

5. Staff Director: Mr. Arthur Page
   Room 1010, 46 Cedar Street
   New York 5, N.Y.

D. Cabinet Committee on Energy Supplies and Resources Policy

1. Established: July 30, 1954, by Presidential decision.

2. Terms of Reference: To evaluate all factors pertaining to the continued development of energy supplies and resources and fuels in the United States, with the aim of strengthening the national defense, providing orderly growth, and assuring supplies for our expanding national economy and for any future emergency.

   To review factors affecting the requirements and supplies of the major sources of energy including:
   Coal (anthracite, bituminous, and lignite, as well as coke, coal tars, and synthetic liquid fuels)
   Petroleum and natural gas
   (From the White House announcement of July 30, 1954)

3. Membership:

   ODM (Chairman)
   State
   Defense

   Justice
   Interior
   Commerce
   Labor

4. Reporting date: March 1, 1955

5. Staff Director: Mr. Joseph L. Fisher, Office of Defense Mobilization.

E. Cabinet Committee on Telecommunications Policy and Organization

1. Established: August 26, 1954, by Presidential Letter

2. Terms of Reference: To review carefully the existing body of telecommunications legislation and policy, and the implementing organization -- a broad approach which comprehends the overall needs of the Nation and takes into account the special problems and capabilities of all forms of telecommunications.

   To develop a comprehensive, up-to-date national telecommunications policy which will be consistent with the broad public interest and directly contribute to the realization of the national and international objectives of the United States.

   To assure that our national telecommunications policies and programs help enable our public and private telecommunications organizations to play their proper roles in strengthening the economic, social and political bonds of those nations which share with us the desire for peace and progress.

   (Adapted from President's letter of August 26, 1954)

3. Membership:

   ODM (Chairman)
   State
   Defense
   Treasury (ad hoc)
   Commerce (ad hoc)
   USIA (ad hoc)
   FOA (ad hoc)
   CIA (ad hoc)
   Budget (ad hoc)

4. Reporting date: March 1, 1955

5. Staff Director: Mr. Ralph Clark, Office of Defense Mobilization

II. MAJOR INTERDEPARTMENTAL COMMITTEES
(With which Cabinet has been or may be concerned)

A. Government Salaries and Benefits Committee

1. Established: January 20, 1954, by Presidential decision from Cabinet meeting.

2. Terms of Reference: To prepare for Cabinet consideration a recommendation covering the many wage and salary questions which may arise in Congress. (Cabinet Aide-Memoire of 1/20/54).

   To carry on studies with other special groups to determine how best to adjust pay inequities and provide other necessary elements of a well-rounded personnel program.
   (Statement by the President, 2/24/54).

3. Membership:

   Personnel Adviser (Chairman)
   Representatives from:
      Treasury
      Defense
      Post Office
      Labor
      HEW
      Budget
      ODM

4. Reporting Date: Not Specified.

5. Staff Officer: Mr. Joseph Winslow, White House Office.

B. Interdepartmental Committee on the Soft Coal Industry

1. Established: July 6, 1954, by Presidential Letter.

2. Terms of Reference: To determine the nature and extent of the danger to the strength and well-being of the Nation created by present conditions in the coal industry and to recommend such remedial action as can and should be taken. (From the President's letter of July 6, 1954).

3. Membership:

ODM (Chairman)
Representatives from:
State
Defense
Commerce
Labor
Interior

4. Reporting Date: Not specified. (Committee is expected to report to the Cabinet Committee on Energy Supplies and Resources).

5. Staff Director: Mr. William F. Hahman, Interior.

Secretary: Mr. Joseph Vaughan, ODM.

C. Action Committee on International Fairs and Cultural Activities

1. Established: August 18, 1954, by Presidential Letter following Cabinet discussion.

2. Terms of Reference: To assist the President in making effective and immediate use of the $5 million fund which the Congress appropriated to provide for more intensive United States' participation in International Trade Fairs and to encourage private American groups to travel abroad and share with other nations our cultural and artistic achievements.
(From the President's letter of August 18)

3. Membership:

State (Chairman)
Commerce
FOA
Agriculture
HEW
USIA (Executive Agent)
Budget (Advisory)
CIA (ad hoc)

4. Reporting Date: Not specified. (The President must report to Congressional Appropriations Committees quarterly).

5. Executive Secretary: Mr. Abbott Washburn, USIA.

D. Interdepartmental Committee on Migratory Labor

1. Established: August 26, 1954, by Presidential Letter.

2. Terms of Reference: To aid the various Federal agencies in mobilizing and stimulating more effective programs and services for migrants, and in providing service to State and local areas through their constituent members.

To help in developing cooperative relationships between the Federal agencies and the State agencies concerned with these problems.

(From the President's letter of August 26)

3. Membership:

Labor (Chairman)
Representatives from:
- Interior
- Agriculture
- HEW
- HHFA

4. Reporting Date: Periodic Reports requested.

5. Secretary: Mr. William von Seggern, Labor.

E. Special Interdepartmental Committee on the Training of Scientists and Engineers.

1. Established: May 24, 1954, by letter from Dr. Flemming of ODM, following Cabinet Discussion in April.

2. Terms of Reference: To develop, in cooperation with other interested Administration officials, a program for the encouragement of scientific education in the United States. (Cabinet Aide-Memoire, April 30, 1954).

3. Membership:

ODM (Chairman)
Defense
Commerce
HEW
AEC
National Science Foundation
Labor

4. Reporting Date: Not specified.

5. Secretary: John Troy

F. Interagency Committee on Agricultural Surplus Disposal

1. Established: September 9, 1954, by Presidential Letter.

2. Terms of Reference: To assist the agencies concerned in bringing into harmonious action, consistent with the over-all policy objectives of this Government, the various agricultural surplus disposal activities vested in them by, or assigned to them pursuant to, the Agricultural Trade Development and Assistance Act of 1954.

The Committee is to be guided by the policy statement as related to agriculture which the President approved and issued on September 9, 1954, in connection with his issuance of Executive Order 10560.
(From the President's letters of September 9)

3. Membership:

White House Office (Chairman)
Representatives from:
- Agriculture
- Budget
- FOA
- Treasury
- Commerce
- State
- Defense

4. Reporting Date: Not specified.

5. Staff Officer (and Deputy Chairman): Mr. James Lambie, The White House Office.

G. President's Foreign Affairs Personnel Advisory Group

1. **Established:** April 6, 1954, by Presidential Letter.

2. **Terms of Reference:** In the light of the President's promise to the Congress to make a critical review of the various overseas personnel systems: (1) To advise the President's Adviser on Personnel Management with respect to certain fundamental policy questions which must be answered before a start can be make in drafting firm legislation and administrative plans; (2) When the legislation and administrative plans have been drafted to supply the complete and detailed framework of the proposed Foreign Affairs Personnel System, to furnish its opinions and advice on such proposals prior to their submission to the President for approval.
(From the President's letter of April 6)

3. **Membership:**

Personnel Adviser (Chairman)
Under Secretaries of: State
Defense
Directors of : FOA
USIA
Three Public Members

4. **Reporting Date:** Not specified.

5. **Staff Director:** Mr. Henry Du Flon, The White House Office.

H. Inter-Agency Committee on the President's Highway Program

1. **Established:** August 20, 1954, by Presidential Letter

2. **Terms of Reference:** To develop as swiftly as possible, recommendations designed to construct and maintain a highway system adequate to the needs of modern interstate and circumferential traffic.

Working in close cooperation with the Bureau of Public Roads, to survey the Nation's highway needs, utilizing such existing studies as the Federal Government and other public and private bodies have previously made.

To include in its study not only the physical requirements of an adequate highway program but proposals for financing it as well.

To make specific recommendations designed to implement its program by legislation submitted to the Congress and to the several states, as well as suggestions for necessary executive action by federal, state and local bodies.

(From President's letter of August 20, 1954)

3. **Membership:**

Commerce (Commissioner of Public Roads, Chairman)

Representatives from:
Budget
Council of Economic Advisers
(Dr. Hauge will work with this Committee)

4. **Reporting date:** November 1, 1954 (will probably be extended)

5. **Contact Point:** Mr. Frank DuPont, Commissioner of Public Roads, Department of Commerce.

I. Interdepartmental Committee on Federally-Owned Property

1. Established: Request for establishment dated August 17, 1954; actual letters of invitation nearly ready for signature in Justice.

2. Terms of Reference:
(Not yet formalized)
The Committee will look into the problem of the conflict in jurisdiction between states and the Federal Government, i.e. concerning persons who live on federally-owned lands within the various states. Such conflicts of jurisdiction have already arisen with respect to education, public assistance, voting, and divorce.

(Adapted from the enclosure to the Attorney General's memorandum to Governor Adams of August 6, 1954)

3. Membership:

Justice (Chairman, Mr. Perry Morton of the Lands Division)

The Chief legal advisors of:

Defense
Interior
Agriculture
HEW
VA

4. Reporting date: Not yet specified.

5. Staff Officer: None yet formalized.

J. Committee on the Rio de Janiero Economic Conference

1. Established: April 9, 1954, after Cabinet discussion

2. Terms of Reference: To develop the policy framework within which the U. S. delegation will work at the forthcoming Rio de Janiero Conference. (November 22-28, 1954).

3. Membership:

State (Assistant Secretary of State for Inter-American Affairs, Chairman)

Representatives from:

Defense
Interior
Labor
Commerce
Treasury
FOA
Ex-Im Bank
Agriculture
ODM
USIA
Budget

4. Reporting date: Committee will not "report" but will advise the Department of State.

Only "report" may be a report by the Secretary of State to the Cabinet when the Conference is over.

5. Staff Contact Point: Assistant Secretary Holland, Department of State.

III. COMMITTEES OF THE SUB-CABINET

A. Working Group on Loyalty Policy in Unclassified Research Grants

1. **Established:** October 18, 1954 by Justice Department letter, at the suggestion of the White House in Cabinet Secretary's letter of September 14.

2. **Terms of Reference:** To prepare a brief statement of the facts as to each Agency's practice with respect to loyalty policy in its unclassified research grants.

   To prepare, for Sub-Cabinet consideration, a paper with policy recommendations.

   (From Justice's letter of October 18, 1954)

3. **Membership:**

   Justice (Assistant Attorney General, Criminal Division, Chairman)

   Representatives from:

   HEW
   Defense
   Agriculture
   National Science Foundation
   AEC
   National Advisory Committee for Aeronautics
   Budget (Observer)
   ODM (Observer)

4. **Reporting date:** December 1, 1954

5. **Staff Officer:** Mr. W. Barrett McDonnell, Department of Justice

IV. COMMITTEES TO BE CONSIDERED TERMINATED

A. Western European Flood Relief Committee

1. **Established:** February 6, 1954

2. **Membership:**

   State (Chairman)
   Defense
   Agriculture
   ODM

B. St. Lawrence Seaway Committee

1. **Established:** April 25, 1953

2. **Membership:**

   State (Chairman)
   Defense
   Commerce
   Interior

C. Special Committee for the Relief of Lead and Zinc Producers

1. **Established:** June 22, 1954

2. **Membership:**

   Interior (Chairman)
   State
   Commerce
   FOA
   ODM

D. Committee on Foreign Procurement Policy

1. **Established:** May, 1953

CABINET ITEMS

I. CABINET ITEMS FOR THE IMMEDIATE FUTURE
(Requiring a moderate amount of Staff work)

A. Weekly Items -- Six brief oral round-up reports:

1. By the Secretary of State
2. By the Secretary of Defense
3. By the Secretary of the Treasury
4. By the Chairman of the Council of Economic Advisers
5. By the Director of Foreign Operations
6. By the Director of the Bureau of the Budget

B. Matters Pending from Previous Meetings
(From Cabinet notes November 13, 1953 through August 18, 1954)

	Item	Responsible Department or Officer	Cabinet Reference
1.	Follow-up on Randall Report	Mr. Randall	8/18/54
2.	Organization for Foreign Economic Policy (Mr. Joseph Dodge's Study)	Mr. Joseph Dodge	8/13/54
3.	Civil Service Policy -- The Directive restating Administrative policy in regard to the career Civil Service and referring to the enforcement of the Hatch Act.	Mr. Philip Young	8/13/54
4.	State of the Union Message (Departments now forwarding material, due October 15, 1954)	Mr. Harlow	8/13/54
5.	Internal Revenue Returns -- Proposed modification of policy regarding availability	Treasury	7/29/54

6.	Budget for FY 1956	Budget Treasury	7/23/54
7.	Funds for Special International Requirements	Mr. Sinclair Weeks	7/23/54
8.	Constitutional Amendment -- Four year term for Congressmen	General Persons	7/23/54
9.	St. Lawrence Seaway -- Points still at issue between Canada and the United States. Possible treaty	Defense State	7/16/54
10.	Employee Security Program -- Possible revision of Executive Order. Full report by Civil Service Commission	Justice Mr. Philip Young	7/16/54
11.	Assistant Secretary for Administration. Desirability of eliminating this type of position	Committee on Government Organization	7/16/54
12.	Refugee Relief Program. Further progress report	State	7/9/54
13.	Civil Defense. Further progress report (including Emergency Relocation program)	ODM FCDA	7/2/54
14.	Inspection Services. Program agreed on in June	Budget	6/24/54
15.	Mexican Migrant Labor Progress report and discussion of possible Government action	Justice	6/24/54

16. Federal Employee Medical Program and Wage Board Salaries	Mr. Philip Young (and his Government Salaries and Benefits Committee)	6/4/54
17. Scientific Education	ODM	4/30/54
18. Attaches. Agricultural Attaches and those of other Departments. Policy and proposed legislation	Budget	4/30/54
19. Disposal of Surplus Real Estate	Budget GSA	3/26/54
20. School Building Construction Federal aid and State action. Status of Educational Advisory Committee. Education of Indians	HEW	2/26/54
21. Public Works Program. Long range plans	CEA Budget	2/5/54
22. Overtime. Rates of compensation and various grades	Mr. Philip Young (and his Government Salaries and Benefits Committee)	12/11/53

C. Other Items for Cabinet Discussion in the Near Future

1. Progress Report on Civil Rights

Including school segregation developments. (Responsibility: Mr. Rabb.)

2. Unfilled Pledges of the Eisenhower Administration

(Responsibility: Mr. Harlow)

3. Mobilization

The President and Dr. Flemming recently agreed that it might be appropriate for the former to speak informally at a future Cabinet meeting about the problem of loading too many mobilization functions on established agencies (except for State and Defense). (Responsibility: Dr. Flemming)

4. Division of Responsibility for Staff Work between the Executive Office of the President and other Departments and Agencies

This also grew out of Dr. Flemming's discussion with the President. (Responsibility: Mr. Hughes)

5. Legislative Program for 1955

(Responsibility: Mr. Hughes)

6. Security of Cabinet Papers

A proposed brief statement by the President concerning the security precautions which should govern the handling of all Cabinet papers regardless of their formal classification. (Responsibility: Mr. Brownell)

7. Windfall Profits

Progress report on the activities of Justice and HHFA. (Responsibility: Mr. Brownell and Mr. Cole)

D. Reports of Cabinet and Departmental Committees

1. Minerals Policy

Expected to be ready by the end of September.

2. Water Resources Policy

Preliminary report by December 1, 1954.

3. Transport Policy and Organization

December 1, 1954

4. Energy Supplies and Resources

   December 1, 1954

5. Government Salaries and Benefits Committee

   a. Recomfirmation of its terms of reference. October, 1954.

   b. Report prior to the opening of Congress.

6. International Fairs and Cultural Activities

   Progress report in November, 1954.

7. Migratory Labor

   Progress report in November, 1954.

8. President's Highway Program

   November 1, 1954

9. Committee on Federally-Owned Property

   Progress report in November, 1954.

10. Foreign Affairs Personnel Advisory Group

    Progress report in October, 1954.

11. Rio de Janiero Economic Conference

    Possible report in early December, 1954.

II. SPECIFIC ITEMS FOR THE NEXT CABINET AGENDA

Possible date: Tuesday, October 19, 1954

(In order not to interfere with weekend arrangements of RNC and NSC Schedules)

1. Report by the Vice President on the Political Situation

2. Six Oral Round-up Reports

   (See Section I. A. above)

3. Progress Report on Staff Work for the President and the Executive Branch

   (Information paper -- Governor Adams)

4. Security Handling for Cabinet Papers

   (Proposed oral statement by the President)

5. Progress Report on Activities Concerning Windfall Profits

   (Information paper -- the Attorney General and possibly Mr. Cole)

6. Reconstitution of Government Salaries and Benefits Committee

   (Action paper -- Mr. Young)

7. Report of the Minerals Policy Committee

   (Action paper -- the Secretary of the Interior)

THE WHITE HOUSE
WASHINGTON

October 26, 1954

Mr. Minor of Justice phoned. He said you left the following note on his desk, which is an inscription which will be put on certain papers.

PRIVILEGED DATA
Property of the White House
For Use by Authorized Persons Only

Rabb & Patterson discussed this matter with Mr. Minor of Justice — & it was agreed that cabinet stationery would be pre-printed with roughly the above captions.

THE WHITE HOUSE
WASHINGTON

August 18, 1954

MEMORANDUM

Deputy Attorney General Rogers called me on the telephone to discuss what classification could be given to Cabinet documents. I had talked the matter over with him and with the Attorney General and had suggested that this matter might appear on last Friday's Cabinet agenda. Mr. Rogers said that he was satisfied that the President had the authority to designate whomsoever he wished to classify material Secret or Confidential. He will send me the regulations for his Department and feels that no difficulty is involved in giving the authority to establish Classified Documents by Presidential designation to me or to anyon who handles Cabinet matters.

See Rankin
Warren Burger
[illegible]

September 21, 1954

SECURITY OF CABINET PAPERS

Discussed this subject today with Assistant Attorney General Rankin. It was agreed that while actual classifications cannot be placed on Cabinet papers, except as pursuant to Executive Order 10501, Mr. Rankin emphasized that Cabinet papers would certainly be considered privileged Presidential matters such as those described in the President's letter to Secretary Wilson of May 17, 1954.

Action: Mr. Rankin will look into the question and then prepare a statement which could be made orally by the President at the first meeting of the Cabinet this Fall and then recorded succinctly in the Presidentional Action record. This would be all that would be necessary to cover this point from the White House point of view and still be consistent with the Executive Order 10501.

Governor Adams:

Briefing memorandu for ur remarks for Item 2 of the Cabinet agenda.

MMR

Cabinet 10/19/54

PROGRESS REPORT ON WHITE HOUSE AND CABINET STAFF WORK

1. "Orientation"

a. Distribution of Booklets

Each Cabinet Department has been given, through its Special Assistant, the number of copies which it requested. Additional copies are available, but will be given out by the White House only through the Special Assistant's office in each Department. Distribution should be governed by the principle that this booklet should be put in the hands of all those officers whose knowledge of its contents is going to be essential in order to have the staff system work.

This booklet is to remain strictly within the Executive Branch until further notice.

b. Internal Agency Briefings

Several Departments (HEW, Commerce, Interior, Agriculture, FOA, Budget) have arranged for the Camp David presentation on Staff Work (charts, etc.) to be shown internally as helpful orientation concerning this strengthened system of staff operations. The presentation is still available for this use, should any of the other agencies desire it, or if repeats are requested.

2. Staff Operations

a. Designation of Agency Special Assistants

The Departmental Special Assistants have all been designated. A directory of these officers has been circulated as a Cabinet information paper (CI-1).

b. Introduction of Colonel Goodpaster

Colonel Goodpaster to be introduced briefly, in person.

c. Importance of lateral coordination

Inadequate lateral coordination is a disservice to the President and means wasted time. The Special Assistants now form a circle of contact points which will be helpful not only to the White House staff but also to any individual Departments to speed up lateral coordination.

d. In general: Appropriate internal Departmental instructions should be issued to support the principles and procedures outlined in the booklet, especially the Covering Brief as described on page 11.

The Dwight D. Eisen iary

3. Cabinet Operations

a. Max Rabb, of course, continues as Secretary to the Cabinet.

b. The Cabinet Secretary's office has established liaison arrangements with the Staff Director of each Cabinet Committee -- so that the President and the Assistant to the President have one central point of information on what the job of each Committee is and how it is coming along.

c. Attention might be called to the new format for Cabinet papers, and to the goal of the Cabinet Secretary to have all important documentation circulated well in advance of the meeting.

d. We are asking, for the convenience of the President and other Cabinet members, that each item to be discussed at Cabinet Meetings be accompanied, with rare exceptions, by a brief paper--

  i. If the item is for action: by an adequate staff paper with clear recommendations.

  ii. If the item is for information: by a short summary of the matters to be discussed.

This will speed our meetings and keep all of us better informed.

e. With the Special Assistants designated, and our staff system in operation, we now have a quick mechanism for consultation and coordination on Cabinet items. What this means is that the Cabinet is now, perhaps for the first time in its history, equipped to function in a business-like manner -- and give thorough and systematic consideration to major problems of government.

We, therefore, can expect Cabinet Members not to hesitate to bring forward into this forum problems which the collective wisdom around this table can help them solve.

f. In General:

Staff and Cabinet operations are going to be kept flexible, and adaptable to exceptional occasions.

The objective is not to create new stacks of paper-work, but to keep our work businesslike and efficient, to save time and avoid lost motion and lost decisions.

P 11

will make sure

attack

End things doing

Slim Solidifying

free + independent

Upright

CI - 1

October 14, 1954

THE WHITE HOUSE

Washington, D. C.

THE CABINET

Directory of the Special Assistants for Cabinet Coordination

For information of Cabinet Members and their respective Special Assistants, attached is a Directory of all the Special Assistants for Cabinet Coordination, as they have been designated in response to the Cabinet Aide Memoire of August 13.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR INFORMATION

DIRECTORY

# of the

SPECIAL ASSISTANTS FOR CABINET COORDINATION

Bureau of the Budget

Dr. Ralph Reid
Assistant to the Director
246 Executive Office Building

Ext. 742

Office of Defense Mobilization

Mr. Joseph Vaughan
Staff Secretary
105 Executive Office Building

Ext. 547

Department of State

Mr. Roderick L. O'Connor
Special Assistant to the Secretary
5134 New State Department Building

Ext. 5171

Department of the Treasury

Mr. William W. Parsons
Administrative Assistant Secretary
3424 Department of the Treasury

Ext. 332 or 333

Department of Defense

Mr. Ralph O. Moore
Special Assistant to the
Secretary of Defense
3E880, Pentagon Building

Ext. 55261

Foreign Operations Administration

Mr. Joseph Toner
Executive Secretary
283 Executive Office Building

Ext. 2864

Department of Justice

Mr. Robert Minor
First Assistant to the.
Deputy Attorney General
4208 Department of Justice

Ext. 10 or 14

Post Office

The Hon. Charles R. Hook
Deputy Postmaster General
3202 Post Office Building
12th St. & Pennsylvania Avenue

Ext. 370

Department of the Interior

Mr. Raymond Davis
Assistant to the Secretary
5150 Department of the Interior

Ext. 706

Department of Agriculture

Mr. Lorenzo N. Hoopes
Executive Assistant to the
Secretary
200 Administration Building

Private Ext. 4750
Regular Ext. 3631

Department of Commerce

The Hon. James C. Worthy
Assistant Secretary for Administration
5830 Department of Commerce

Assisted by:

Mr. Richard Hall
Special Assistant to the
Secretary
Room 5842 Department of Commerce
Ext. 4951

Department of Labor

Mr. John J. Gilhooley
Executive Assistant to the
Secretary
3136 Department of Labor

Ext. 3

Department of Health, Education, and Welfare

Mr. Harry G. Haskell, Jr.
Secretary to the Departmental Council
Room 5267, North Building

Ext. 8403

U. S. Mission, United Nations (USUN)

Mr. Frank McCarthy
Special Assistant to Ambassador Lodge
2 Park Avenue
New York 16, N. Y.

The White House

Mr. Maxwell Rabb
Secretary to the Cabinet
The White House

Colonel Andrew J. Goodpaster
Staff Secretary
The White House

Mr. Bradley H. Patterson, Jr.
Assistant to the Cabinet Secretary
The White House

CI-1/1

October 26, 1954

THE CABINET

Directory of the Special Assistants for Cabinet Coordination (Revised)

For information of Cabinet Members and their respective Special Assistants, attached is a revised Directory of all the Special Assistants for Cabinet Coordination, as they have been designated in response to the Cabinet Aide Memoire of August 13, and as they have since been revised.

This directory supercedes CI - 1.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR INFORMATION

DIRECTORY

# of the

SPECIAL ASSISTANTS FOR CABINET COORDINATION

Department of State

Mr. Roderick L. O'Connor
Special Assistant to the Secretary
5134 New State Department Building

Ext. 5171

Department of the Treasury

Mr. William W. Parsons
Administrative Assistant Secretary
3424 Department of the Treasury

Ext. 332 or 333

Department of Defense

Mr. Ralph O. Moore
Special Assistant to the
Secretary of Defense
3E880, Pentagon Building

Ext. 55261

Department of Justice

Mr. Robert Minor
First Assistant to the
Deputy Attorney General
4208 Department of Justice

Ext. 10 or 14

Post Office

The Hon. Charles R. Hook
Deputy Postmaster General
3202 Post Office Building
12th St. & Pennsylvania Avenue

Ext. 370

Department of the Interior

Mr. Raymond Davis
Assistant to the Secretary
5150 Department of the Interior

Ext. 706

Department of Agriculture

Mr. Lorenzo N. Hoopes
Executive Assistant to the
Secretary
200 Administration Building

Private Ext. 4750
Regular Ext. 3631

Department of Commerce

Mr. Richard Hall
Special Assistant to the
Secretary
Room 5842 Department of Commerce

Ext. 4951

Department of Labor

Mr. John J. Gilhooley
Executive Assistant to the
Secretary
3136 Department of Labor

Ext. 3

Department of Health, Education, and Welfare

Mr. Harry G. Haskell, Jr.
Secretary to the Departmental Council
Room 5267, North Building

Ext. 8403

Assisted by:

Mr. Ray Coffman
Ass't Secretary, Departmental Council
Room 5267

Ext. 4513 or 4514

Foreign Operations Administration

Mr. Joseph Toner
Executive Secretary
283 Executive Office Building

Ext. 2864

Bureau of the Budget

Dr. Ralph Reid
Assistant to the Director
246 Executive Office Building

Ext. 742

Office of Defense Mobilization

Mr. Joseph Vaughan
Staff Secretary
105 Executive Office Building

Ext. 547

U. S. Mission, United Nations (USUN)

Mr. Frank McCarthy
Special Assistant to Ambassador Lodge
2 Park Avenue
New York 16, N. Y.
(Mail via Dept. of State Pouch)

Civil Service Commission

Mr. Pierce Gerety
General Counsel
259 CSC Building

Ext. 5468

The White House

Mr. Maxwell Rabb
Secretary to the Cabinet
The White House

Colonel Andrew J. Goodpaster
Staff Secretary
The White House

Mr. Bradley H. Patterson, Jr.
Assistant to the Cabinet Secretary
The White House

CI - 2

October 16, 1954

The White House

Washington, D. C.

THE CABINET

Statistics Concerning the Domestic Eccnomy

For information of the Cabinet, attached are three tables of statistics concerning the domestic economy.

These tables should be at hand during Dr. Burns' oral report at the Cabinet Meeting October 19 (Item 3).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR INFORMATION

Year	Industrial production (1947-49 = 100)		Gross national product in 1953 prices		Disposable personal income in 1953 prices	
	Total	Per capita	Total in billions of dollars	Per capita in dollars	Total in billions of dollars	Per capita in dollars
1929..........	59	71	177.6	1,457	132.1	1,084
1930..........	49	58	161.0	1,307	123.8	1,005
1931..........	40	47	150.5	1,212	119.3	961
1932..........	31	36	128.3	1,027	102.7	823
1933..........	37	43	123.3	981	99.8	795
1934..........	40	47	134.9	1,067	107.2	847
1935..........	47	54	152.3	1,196	118.0	927
1936..........	56	64	169.5	1,322	133.2*	1,038
1937..........	61*	69	182.7*	1,417	137.9*	1,070
1938..........	48	54	173.5	1,335	130.6	1,006
1939..........	58	65	187.1*	1,428	141.6*	1,080
1940..........	67*	74*	204.5*	1,548*	151.6*	1,147*
1941..........	87*	96*	235.6*	1,766*	173.8*	1,303*
1942..........	106*	115*	266.1*	1,973*	196.5*	1,457*
1943..........	127*	137*	296.2*	2,166*	204.1*	1,492*
1944..........	125	133	319.3*	2,307*	212.4*	1,535*
1945..........	107	113	313.2	2,238	210.1	1,501
1946..........	90	94	278.2	1,968	206.2	1,459
1947..........	100	102	276.4	1,918	197.7	1,372
1948..........	104	104	290.1	1,978	207.8	1,416
1949..........	97	95	287.2	1,925	210.0	1,407
1950..........	112	109	315.0	2,077	227.0*	1,497
1951..........	120	114	336.6*	2,181	233.1*	1,510
1952..........	124	116	350.3*	2,231	240.0*	1,529
1953..........	134	123	364.9	2,286	250.1	1,567

Year	Total Employment (Census): Millions of persons	Unemployment (Census) Number	Unemployment (Census) As % of Civilian labor force
1929	47.6	1,550	3.2
1930	45.5	4,340	8.7
1931	42.4	8,020	15.9
1932	38.9	12,060	23.6
1933	38.8	12,830	24.9
1934	40.9	11,340	21.7
1935	42.3	10,610	20.1
1936	44.4	9,030	16.9
1937	46.3	7,700	14.3
1938	44.2	10,390	19.0
1939	45.8	9,480	17.2
1940	47.5	8,120	14.6
1941	50.4*	5,560	9.9
1942	53.8*	2,660	4.7
1943	54.5*	1,070*	1.9*
1944	54.0	670*	1.2*
1945	52.8	1,040	1.9
1946	55.3*	2,273	4.0
1947	58.0*	2,142	3.6
1948	59.4*	2,064	3.4
1949	58.7	3,395	5.5
1950	60.0*	3,142	5.0
1951	61.0*	1,879	3.0
1952	61.3*	1,673	2.7
1953	61.9	1,523	2.4

Year	Wholesale prices All commodities	 Farm products	Demand deposits plus currency outside banks	Gross Federal debt less U.S.Govt. deposits
	1947-49=100		In billions of dollars	
1929	61.9	58.6	26.4	16.1
1930	56.1	49.3	24.6	15.7
1931	47.4	36.2	21.9	17.3*
1932	42.1	26.9	20.4	20.3*
1933	42.8	28.7	19.8	23.0*
1934	48.7	36.5	23.1	29.7*
1935	52.0	44.0	27.0*	33.6*
1936	52.5	45.2	31.0*	37.8*
1937	56.1	48.3	29.6	41.0*
1938	51.1	38.3	31.8*	42.6*
1939	50.1	36.5	36.2*	46.2*
1940	51.1	37.8	42.3*	49.8*
1941	56.8	46.0	48.6*	61.5*
1942	64.2*	59.2*	62.9*	103.3*
1943	67.0*	68.5*	79.6*	159.1*
1944	67.6*	68.9*	90.4*	210.9*
1945	68.8*	71.6*	102.3*	253.1*
1946	78.7*	83.2*	110.0*	256.0*
1947	96.4*	100.0*	113.6*	254.7
1948	104.4*	107.3*	111.6	249.3
1949	99.2	92.8	111.2	253.1
1950	103.1	97.5	117.7*	253.1
1951	114.8*	113.4*	124.5*	255.6
1952	111.6	107.0	129.0*	261.8*
1953	110.1	97.0	130.5	270.4

THE WHITE HOUSE

Washington

CP - 1
October 12, 1954

THE CABINET

Future U.S. Participation in the United Nations Technical Assistance Program (UNTA)

For consideration by the Cabinet, attached is a paper on the above subject submitted by the Director of Foreign Operations.

This paper sets forth both sides of an issue which is as yet unresolved within the Executive Branch but on which a position must be taken prior to the U.N. General Assembly's consideration of the ECOSOC Resolution.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

CP - 1
October 12, 1954

THE CABINET

FUTURE U. S. PARTICIPATION IN UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM (UNTA)

BRIEF

Problem: What position should be taken by the United States Government during the current session of the UN General Assembly on the ECOSOC resolution adopted at Geneva relating to the administration and conduct of the UN Expanded Technical Assistance Program?

Discussion: Under a resolution adopted by ECOSOC at Geneva last summer, with strong U. S. backing, the administration of UN Technical Assistance programs would be considerably strengthened. By providing that funds will no longer be allocated directly to the specialized agencies, such as FAO, WHO, ILO, UNESCO, etc., on a fixed percentage basis, but distributed to these agencies in accordance with technical assistance programs related to host country economic development plans, as recommended by the Technical Assistance Board, the plan provides for more effective programming of UNTA activities in relation to the over-all economic development plans of the underdeveloped countries, while at the same time preserving the operating autonomy of the specialized agencies.

All Executive Branch agencies did not concur in U. S. support of the resolution in ECOSOC, and attempts to obtain unanimous agreement on continued support of the resolution in the current session of the UN General Assembly have thus far been unsuccessful.

Those opposed to the resolution contend that it (1) represents an attempt to effect centralization of the technical assistance programs in the UN which would tend to destroy freedom of action of the specialized agencies and disregard their technical competence; (2) will increase Soviet influence over the UNTA program; and (3) would result in increased operating costs.

Proponents of the resolution point out that (1) it is not a "centralized" plan and would preserve the specialized agencies' operating autonomy; (2) major elements of the plan were developed by the agencies themselves; (3) it represents the minimum degree of centralization desired by many governments; (4) is favored by the underdeveloped countries; and (5) failure by the U. S. to continue support in the General Assembly of a plan to which it lent leadership at Geneva would adversely affect our prestige and influence in the UN and open the way for great Soviet gains in the underdeveloped countries.

Recommendation: That continued U. S. support of the ECOSOC resolution be agreed upon and accepted as a firm Executive Branch position.

Implementation: If this recommendation is accepted, Secretary Dulles will authorize Ambassador Lodge to support the ECOSOC resolution in the current session of the UN General Assembly.

Concurrences: The Secretary of State
The Director of Foreign Operations

Attachment: Paper on this subject prepared by the Director of Foreign Operations.

CABINET PAPER
FOR CONSIDERATION

CP - 1
October 12, 1954

THE CABINET

FUTURE U. S. PARTICIPATION IN UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM (UNTA)

Problem: What position should be taken by the United States Government during the current session of the United Nations General Assembly on the ECOSOC (Economic and Social Council) resolution adopted at Geneva relating to the administration and conduct of the United Nations Expanded Technical Assistance Program?

Discussion:

The Present Procedure. Currently, each of the United Nations agencies participating in UNTA automatically receives a fixed percentage of the annual contribution. Each specialized agency draws up a world-wide program which is reviewed by the Technical Assistance Board (TAB), made up of UN and specialized agency representatives, on the basis of consultations with host governments and an estimate of future resources. The Technical Assistance Committee (TAC), representatives of ECOSOC member governments, exercises general supervision over the programs through semi-annual review of TAB reports, in accordance with the original General Assembly resolution establishing the United Nations Technical Assistance Program.

The ECOSOC Proposal. The ECOSOC resolution recently adopted at Geneva attempts to strengthen the TAB and the governmental (TAC) control over the various separate elements of the program. It provides that UNTA funds shall no longer be allocated to the specialized agencies on the basis of fixed percentages, but shall be distributed on the basis of requests submitted by the host governments and priorities established by them. To protect the specialized agencies, the resolution provides that the annual amount allocated to each agency normally shall be not less than 85% of the previous year's total, and that countries shall call on these agencies for technical advice in program formulation. To strengthen the position of the governments, final approval by the TAC is required before the total annual program goes into effect. This approval is to be based specifically on a consideration of over-all priorities rather than country allocations or the technical aspects of the program.

Disagreement within the Executive Branch. The ECOSOC resolution is very largely the product of United States leadership, strongly urged by Ambassador Lodge, with very substantial support both from other major contributors to the UNTA fund and from the underdeveloped countries. However, a significant difference of opinion on the organizational problem of UNTA has existed within the Executive Branch for some time. All agencies did not concur in the position taken by the United States in ECOSOC, and attempts to reach unanimous agreement for continued U. S. support of the resolution in the current session of the UN General Assembly have thus far been unsuccessful.

Arguments against the ECOSOC Resolution. Opposition to the proposal has been on the following grounds:

1. That an attempt is being made to bring about a centralization of the Technical Assistance Program in the UN which would destroy the freedom of action of the specialized agencies and disregard their technical competence.

CABINET PAPER
FOR CONSIDERATION

2. That the attempt to tighten up central controls in the Technical Assistance Program is but a first step toward the absorption of the specialized agencies in the UN, or at least the establishment of rigid UN controls over the budgets of these agencies.

3. That the ECOSOC proposals with regard to the Technical Assistance Program will increase Soviet influence over the Technical Assistance Program since the USSR is a member of the UN (and therefore, of the TAC), but is not a member of all of the specialized agencies participating in the Technical Assistance Program, notably, the FAO and ICAO.

4. That with increased Soviet participation in the UNTA program, Soviet technicians would be sent to noncommunist countries.

5. That too great a preoccupation with coordination and centralized control in the administration of UNTA programs can result in cumbersome and duplicating machinery at great expense.

Arguments for U. S. Support of the ECOSOC Resolution. (1) The ECOSOC plan preserves the operating autonomy of the participating agencies, allowing them to retain the major functions of project development, recruitment and technical carrying out of the projects. It should not be thought of as a "centralized" plan, and no significant body of opinion supports full centralization of the program.

(2) Major elements of the ECOSOC plan were developed, before the ECOSOC meeting, by the Directors General of the participating agencies, indicating that the major elements of the ECOSOC plan were regarded as workable by a committee of the heads of operating agencies to whom the question had been referred.

(3) The U. S. Delegation at the ECOSOC meeting in Geneva found itself in the position of defending the specialized agencies against plans for most extreme centralization that were being put forward by other delegations. Actually, therefore, the ECOSOC plan represents the minimum degree of centralization desired by many governments; some would like to go even further.

(4) The underdeveloped countries favor the resolution because it gives them greater freedom to work out their own development programs by removing the limitations on their power to choose between different fields of activity -- limitations inherent in the system of predetermined percentages. These governments are working slowly toward maturity in their own affairs. It is important that both UN and U. S. agencies encourage them to develop an over-all approach to their economic development programs.

(5) Without weakening the position of the participating agencies, the resolution tends to strengthen the coordinating responsibilities of UNTA Resident Representatives by providing that programs shall be drawn up in recipient countries "by the governments concerned in consultation with the Resident Representatives". These are field representatives of the TAB, located in the larger countries, for the purpose of coordinating activities of the separate agencies within a country and acting as liaison with the government and other technical assistance activity in the country, such as the U. S. bilateral program. Their function is invaluable to U. S. technical assistance

officials in helping to maintain an over-all relationship with the total country program, thus avoiding duplication and overlapping of activities.

(6) Review of the program annually by the TAC and the General Assembly, as provided in the resolution, is an essential means of providing governmental responsibility for the expenditure of government funds. It was made clear at ECOSOC that the TAC review would be confined to over-all priorities, project evaluation, and program interrelationships; it would not deal with technical aspects of the program (this being the province of the participating agencies), or with country allocations; neither would the TAC trespass upon the national development plans of the respective governments.

(7) Finally, the United States, having taken leadership in support of the resolution in the ECOSOC meeting at Geneva, would in effect be reversing itself if it fails to continue its support at the current session of the General Assembly. Ambassador Lodge has warned that such action would adversely affect United States prestige and influence in the UN, both generally and in relation to the technical assistance programs themselves. The resulting situation would, moreover, certainly lend itself to exploitation by the Communists and the probability of great gain for the Soviets in the underdeveloped countries. The consequences could be all the more adverse in view of the real possibility that United States efforts to avoid a favorable General Assembly vote on the Resolution might well prove unsuccessful, the ECOSOC resolution having been adopted unanimously in ECOSOC with the strong support of the underdeveloped countries, who carry a preponderant vote in the General Assembly, as well as of the Western European countries and the Soviet Bloc.

Recommendation: That continued United States support of the ECOSOC resolution be agreed upon and accepted as a firm Executive Branch position.

Implementation: If this recommendation is accepted, Secretary Dulles will authorize Ambassador Lodge to support the ECOSOC resolution in the current session of the United Nations General Assembly. Since the Senate Appropriations Committee proposes to undertake a study of the total problem of U. S. relationships to the multilateral technical assistance activities of the United Nations as a preliminary to further consideration at the next session of Congress of whether, and if so, in what manner and under what conditions the United States should provide additional financial assistance for this program, it is suggested that Secretary Dulles and Mr. Stassen undertake whatever Congressional consultation, if any, they judge to be appropriate.

Concurrences: The Secretary of State
The Director of Foreign Operations

CP - 1

October 20, 1954

The White House

Washington

THE CABINET

Future U.S. Participation in the United Nations Technical Assistance Program (UNTA)

The President has approved the attached paper as the position of the Executive Branch (Cabinet RA-1, October 20, 1954, Item 6).

The "Implementation" paragraphs (in the Brief and on page 3) have been amended to reflect the President's decision.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR ACTION

CP - 1
October 20, 1954

THE CABINET

FUTURE U. S. PARTICIPATION IN UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM (UNTA)

BRIEF

Problem: What position should be taken by the United States Government during the current session of the UN General Assembly on the ECOSOC resolution adopted at Geneva relating to the administration and conduct of the UN Expanded Technical Assistance Program?

Discussion: Under a resolution adopted by ECOSOC at Geneva last summer, with strong U. S. backing, the administration of UN Technical Assistance programs would be considerably strengthened. By providing that funds will no longer be allocated directly to the specialized agencies, such as FAO, WHO, ILO, UNESCO, etc., on a fixed percentage basis, but distributed to these agencies in accordance with technica assistance programs related to host country economic development plans, as recommended by the Technical Assistance Board, the plan provides for more effective programming of UNTA activities in relation to the over-all economic development plans of the underdeveloped countries, while at the same time preserving the operating autonomy of the specialized agencies.

All Executive Branch agencies did not concur in U. S. support of the resolution in ECOSOC, and attempts to obtain unanimous agreement on continued support of the resolution in the current session of the UN General Assembly have thus far been unsuccessful.

Those opposed to the resolution contend that it (1) represents an attempt to effect centralization of the technical assistance programs in the UN which would tend to destroy freedom of action of the specialized agencies and disregard their technical competence (2) will increase Soviet influence over the UNTA program; and (3) would result in increased operating costs.

Proponents of the resolution point out that (1) it is not a "centralized" plan and would preserve the specialized agencies' operating autonomy; (2) major elements of the plan were developed by the agencies themselves; (3) it represents the minimum degree of centralization desired by many governments; (4) is favored by the underdeveloped countries; and (5) failure by the U. S. to continue support in the General Assembly of a plan to which it lent leadership at Geneva would adversely affect our prestige and influence in the UN and open the way for great Soviet gains in the underdeveloped countries.

Recommendation: That continued U. S. support of the ECOSOC resolution be agreed upon and accepted as a firm Executive Branch position.

Implementation: If no serious problems arise after appropriate Congressional consultation, Secretary Dulles will authorize Ambassador Lodge to support the ECOSOC resolution in the current session of the UN General Assembly.

Attachment: Paper on this subject prepared by the Director of Foreign Operations.

CABINET PAPER
FOR ACTION

CP - 1
October 12, 1954

THE CABINET

FUTURE U. S. PARTICIPATION IN UNITED NATIONS TECHNICAL ASSISTANCE PROGRAM (UNTA)

Problem: What position should be taken by the United States Government during the current session of the United Nations General Assembly on the ECOSOC (Economic and Social Council) resolution adopted at Geneva relating to the administration and conduct of the United Nations Expanded Technical Assistance Program?

Discussion:

The Present Procedure. Currently, each of the United Nations agencies participating in UNTA automatically receives a fixed percentage of the annual contribution. Each specialized agency draws up a world-wide program which is reviewed by the Technical Assistance Board (TAB), made up of UN and specialized agency representatives, on the basis of consultations with host governments and an estimate of future resources. The Technical Assistance Committee (TAC), representatives of ECOSOC member governments, exercises general supervision over the programs through semi-annual review of TAB reports, in accordance with the original General Assembly resolution establishing the United Nations Technical Assistance Program.

The ECOSOC Proposal. The ECOSOC resolution recently adopted at Geneva attempts to strengthen the TAB and the governmental (TAC) control over the various separate elements of the program. It provides that UNTA funds shall no longer be allocated to the specialized agencies on the basis of fixed percentages, but shall be distributed on the basis of requests submitted by the host governments and priorities established by them. To protect the specialized agencies, the resolution provides that the annual amount allocated to each agency normally shall be not less than 85% of the previous year's total, and that countries shall call on these agencies for technical advice in program formulation. To strengthen the position of the governments, final approval by the TAC is required before the total annual program goes into effect. This approval is to be based specifically on a consideration of over-all priorities rather than country allocations or the technical aspects of the program.

Disagreement within the Executive Branch. The ECOSOC resolution is very largely the product of United States leadership, strongly urged by Ambassador Lodge, with very substantial support both from other major contributors to the UNTA fund and from the underdeveloped countries. However, a significant difference of opinion on the organizational problem of UNTA has existed within the Executive Branch for some time. All agencies did not concur in the position taken by the United States in ECOSOC, and attempts to reach unanimous agreement for continued U. S. support of the resolution in the current session of the UN General Assembly have thus far been unsuccessful.

Arguments against the ECOSOC Resolution. Opposition to the proposal has been on the following grounds:

1. That an attempt is being made to bring about a centralization of the Technical Assistance Program in the UN which would destroy the freedom of action of the specialized agencies and disregard their technical competence.

CABINET PAPER
FOR ACTION

2. That the attempt to tighten up central controls in the Technical Assistance Program is but a first step toward the absorption of the specialized agencies in the UN, or at least the establishment of rigid UN controls over the budgets of these agencies.

3. That the ECOSOC proposals with regard to the Technical Assistance Program will increase Soviet influence over the Technical Assistance Program since the USSR is a member of the UN (and therefore, of the TAC), but is not a member of all of the specialized agencies participating in the Technical Assistance Program, notably, the FAO and ICAO.

4. That with increased Soviet participation in the UNTA program, Soviet technicians would be sent to noncommunist countries.

5. That too great a preoccupation with coordination and centralized control in the administration of UNTA programs can result in cumbersome and duplicating machinery at great expense.

Arguments for U. S. Support of the ECOSOC Resolution. (1) The ECOSOC plan preserves the operating autonomy of the participating agencies, allowing them to retain the major functions of project development, recruitment and technical carrying out of the projects. It should not be thought of as a "centralized" plan, and no significant body of opinion supports full centralization of the program.

(2) Major elements of the ECOSOC plan were developed, before the ECOSOC meeting, by the Directors General of the participating agencies, indicating that the major elements of the ECOSOC plan were regarded as workable by a committee of the heads of operating agencies to whom the question had been referred.

(3) The U. S. Delegation at the ECOSOC meeting in Geneva found itself in the position of defending the specialized agencies against plans for most extreme centralization that were being put forward by other delegations. Actually, therefore, the ECOSOC plan represents the minimum degree of centralization desired by many governments; some would like to go even further.

(4) The underdeveloped countries favor the resolution because it gives them greater freedom to work out their own development programs by removing the limitations on their power to choose between different fields of activity -- limitations inherent in the system of predetermined percentages. These governments are working slowly toward maturity in their own affairs. It is important that both UN and U. S. agencies encourage them to develop an over-all approach to their economic development programs.

(5) Without weakening the position of the participating agencies, the resolution tends to strengthen the coordinating responsibilities of UNTA Resident Representatives by providing that programs shall be drawn up in recipient countries "by the governments concerned in consultation with the Resident Representatives". These are field representatives of the TAB, located in the larger countries, for the purpose of coordinating activities of the separate agencies within a country and acting as liaison with the government and other technical assistance activity in the country, such as the U. S. bilateral program. Their function is invaluable to U. S. technical assistance

officials in helping to maintain an over-all relationship with the total country program, thus avoiding duplication and overlapping of activities.

(6) Review of the program annually by the TAC and the General Assembly, as provided in the resolution, is an essential means of providing governmental responsibility for the expenditure of government funds. It was made clear at ECOSOC that the TAC review would be confined to over-all priorities, project evaluation, and program interrelationships; it would not deal with technical aspects of the program (this being the province of the participating agencies), or with country allocations; neither would the TAC trespass upon the national development plans of the respective governments.

(7) Finally, the United States, having taken leadership in support of the resolution in the ECOSOC meeting at Geneva, would in effect be reversing itself if it fails to continue its support at the current session of the General Assembly. Ambassador Lodge has warned that such action would adversely affect United States prestige and influence in the UN, both generally and in relation to the technical assistance programs themselves. The resulting situation would, moreover, certainly lend itself to exploitation by the Communists and the probability of great gain for the Soviets in the underdeveloped countries. The consequences could be all the more adverse in view of the real possibility that United States efforts to avoid a favorable General Assembly vote on the Resolution might well prove unsuccessful, the ECOSOC resolution having been adopted unanimously in ECOSOC with the strong support of the underdeveloped countries, who carry a preponderant vote in the General Assembly, as well as of the Western European countries and the Soviet Bloc.

Recommendation: That continued United States support of the ECOSOC resolution be agreed upon and accepted as a firm Executive Branch position.

Implementation: Since the Senate Appropriations Committee proposes to undertake a study of the total problem of U. S. relationships to the multilateral technical assistance activities of the United Nations as a preliminary to further consideration at the next session of Congress of whether, and if so, in what manner and under what conditions the United States should provide additional financial assistance for this program, Secretary Dulles and Mr. Stassen will undertake appropriate Congressional consultation. In the absence of serious problems arising out of this consultation, Secretary Dulles will authorize Ambassador Lodge to support the ECOSOC resolution in the current session of the United Nations General Assembly.

OPEN CABINET MEETING OF THE PRESIDENT
HELD IN THE CABINET ROOM OF THE WHITE HOUSE
FOR ALL MEDIA OF PUBLICITY, PRESS, RADIO AND TELEVISION

OCTOBER 25, 1954, 7.00 p.m., e.s.t.

THE PRESIDENT: Mrs. Hobby and Gentlemen: As you know, I asked you to come here this evening so that we could immediately hear a first-hand report from the Secretary of State regarding the negotiations that have just been going on in Europe, and the outcome of those negotiations. I think it is extremely important that all of us have a clear understanding of what was accomplished, and the circumstances under which it was done, and what it will probably mean.

Having determined upon this, whdn request was made to me that we ppen this meeting to the television companies, the radio companies, and the newsreels, it suddenly occurred that the -- for tonight -- there is one subject -- a very special one -- about which to talk, and one which the American people, all of them, without regard to race or party or creed or color or any other thing, will want to hear.

So, for this one time, we are having this meeting of the Cabinet on all of these media of publicity.

Secretary Dulles.

SECRETARY OF STATE, JOHN FOSTER DULLES: Mr. President, I certainly greatly appreciate this chance to make an early report to you and my Cabinet colleagues and the American people, about the events which culminated in Paris last Saturday -- day before yesterday. I believe that the importance of these events justifies their immediate consideration by the American nation. I realize how difficult it is when you are right in the midst of things, to make a sound judgment. But it is my honest opinion that history will not soon forget the results which came about -- culminated -- in Paris last Saturday.

At the beginning of September, things looked pretty dark. The plan for the European Defense Community had collapsed, and it looked as though the whole North Atlantic Treaty structure, its whole system, might be undermined and even swept away by political decisions and uncertainties. And this shattering blow in Europe came just at a moment when we had not yet completed our well-conceived project for unity in Southeast Asia.

We had a plan for a conference, as you will recall, to be held in Manila, early in September, but that conference had not yet been held. The first big decision we had to take, as you will recall, was whether or not to go ahead with this Manila project for the Southeast Asia treaty, or whether to drop everything and rush over to Europe to try to deal with that situation. We all felt that we ought to go ahead with this Southeast Asia plan. I am sure that our Asian allies would have understandably felt very sensitive -- very much hurt -- if we had, as soon as trouble arose in Europe, dropped all our plans for consultation with them.

So we went ahead with the Manila conference, and as you will recall, it was held, I think, between the 2nd and the 9th of September, and out of that came the Southeast Asian Treaty, and the Pacific Charter, whereby the members of that conference, the Asian and European western nations, joined in proclaiming their determination to have peace, security, independence and freedom for the nations of southeast Asia.

(OVER)

When that phase of our policy had been completed, then I felt free to go to Europe to make a first-hand study there of the situation which had resulted through the untimely death of the European Defense Community treaty. And I was fortunately in a position to go there, with considerable authority behind me, because not only did we have an executive position, but also we had a position which had been approved by the United States Senate by a xxxxx unanimous nonpartisan cote. It was a very extraordinary xx demonstration of cooperation and nonpartisan action on the part of the Senate. You will recall the Senate, before it recessed last August, unanimously passed this resolution which had called upon you to the extent of your Executive powers, that if the European Defense Community treaty failed, to proceed to try to restore sovereignty to Germany, and to arrange for the contribution of Germany to the maintenance of international peace and security.

And with this backing, and with your guidance, I then made a quick trip to Europe. I went first to Bonn, where I talked to Chancellor Adenauer, because I wanted to get his views, because he has, all along, been a stout, stalwart advocate of European unity. By the way, as you know, he will be here the day after tomorrow, and I know he will receive here the welcome which the American people ought to pay to a great statesman such as he is.

Then after that day in Bonn, I went on to London, where I talked with Sir Winston Churchill and Mr. Eden. I should, I guess, say Sir Anthony Eden now. I always -- it is so recent, Isort of forget the "handle."

And he had jumped in with great vigor and imagination to try to pick up the pieces that were left scattered by the untimely death of this European Defense Community treaty. And at that point, we had to take another important decision of a procedural character, which was whether to go right ahead with the European conferences or to delay so as to allow the United Nations General Assembly to get going. It was about to meet, and while it had been suggested that we should go right ahead in Europe without regard to the United Nations Assembly, we felt and concluded that we ought not to have a meeting in Europe which would compete with and distract attention from this opening of the United Nations Assembly.

So we arranged with Mr. Eden that the European conference would not be called until after the General Assembly had been in session for about a week. That enabled me to get back here and to appear in the so called opening debate of the General Assembly. And I had the chance at that time to develop further, Mr. President a plan for the dedication of atomic energy to an international agency to constructive purposes. That is going on ---

MR. STRAUSS: (Interposing) Perhaps I could interrupt to say that your plan for the peaceful uses of atomic energy is regarded by most people at the United Nations as the greatest single proposal to increase the well-being of humanity, and that I hope that steps will be taken at this session to promote it and give it effect.

THE PRESIDENT: Thank you.

SECRETARY DULLES: I think it was well worth-while to have gotten that project under way at this Assembly. And I think that the delay that occurred between the first of September and the 28th of September was by no means wasted as far as Europe was concerned. Because it gave time for so much needed sobering and second thoughts. And it gave time for pondering about how to go about picking up the pieces that had been left after EDC collapsed.

Then on September 28 we did have this meeting in Paris of the 9 Foreign Ministers. The representatives of the 6 countries which had been expected to form the EDC. That was France and Germany and Italy, Belgium, The Netherlands and Luxembourg ; and then, in addition, there was the United Kingdom and ~~[illegible]~~ Canada and the United States.

And when we met there, gathered around the table, much like this, we all, I think, had the feeling that our gathering was going to be momentous from the standpoint of history.

And the critical day of the conference came on the second day -- on Wednesday -- when the United Kingdom, I for the United States, made statements of our positions. I was the first of the two to speak. And I pointed out to our colleagues there, the history of the United States' action in relation to Europe -- both our positive action and our negative action. And I said that whenever Europe was really working to get together in unity and strength, then American help was outgiving, and we were very generous when we did.

But, I said that when Europe goes in the other direction, intends to be ~~[illegible]~~ divisive and quarrelsome and to recreate the recurrent cycle of war, then we pull away. And I said, at the moment, there was a great wave of disillusionment that had swept all over the United States. But, I said, if it is possible to find a new pattern of unity and strength so that the hopes which we had all placed into EDC could honorably and honestly be transferred to a new organization, then, I said, I would recommend to you, Mr. President, that you would renew the same statement of policy which you had made last April in relation to EDC; namely, under those circumstances that we would continue to bear fair share of the burden of the defense of Europe so long as the danger persisted.

And I concluded by saying there, to my colleagues, I believe that if you will do that and come together for strength, then you will continue to find that the American flag will fly beside yours in Europe.

And then Mr. Eden followed with a very generous tribute to the help that the United States had given. And he went on to make an historic commitment. He said that the United ~~States~~ Kingdom was preparing to join the continental countries, not only to create a council of Western European Union, but also that he was prepared to commit to the continent of Europe the four British divisions that are now there, plus a tactical air force, on the understanding that they could not be removed as against the opposition of the Brussels Council of European Union.

Now of course, that declaration, as you know, marked a very momentous ~~change in~~ ---

THE PRESIDENT: (interjecting) Yes.

SECRETARY DULLES: (continuing) --- change in British foreign policy. For a century or more, the British have always avoided any fixed continental commitments. They have given primacy to their Commonwealth policy.

The effect of these two statements by the United States and by the United Kingdom was very profound, and it led to a very immediate response. All around the table, people spoke up. Canada immediately followed with a declaration of its intention to back the European unity. And then the other countries in turn expressed their recognition of the profound significance of what had been said, and their determination to respond to it. And from that moment on, all of us in London felt that we were bound to succeed.

The difficulties ahead were still enormous, and by normal standards would have seemed insuperable, but all of a sudden these very difficult problems seemed to become of secondary importance, because the reward for success had mounted to unexpected heights, and the price of failure had become prohibitive.

And then we really went to work. By the next Sunday -- between Wednesday and Sunday -- we had reached agreement on four basic propositions. The first was that sovereignty would be restored to the Federal German Republic. The second was that Western European unity would be developed, this time through a Council of Western European Union, which would be established uneer the old Brussels treaty of 1948, the members of that treaty, and the council, to consist of the same 6 countries that would have been members of the EDC, with the addition of the United Kingdom.

Then in the third place, it was agreed that this Council that I speak of would set up the machinery to control the military strength of its members so that there would not be any excessive re-armament. These controls were to be on a non-discriminatory basis, and the purpose would be to assure that the agreed force goals -- which are supervised very largely, as you know, by SACOER and the North Atlantic Treaty Supreme Commander -- that these agreed force goals would not be exceeded in any country in terms either of land, naval or air forces, or in terms of the military equipment, armament and munitions, and the like, which was prepared for them

And then the fourth proposition was that Germany would be admitted as a full and equal member of the North Atlantic Treaty, something that would not have happened under the EDC plan, by the way. And also that the powers of this Supreme Commander for Europe would be very largely increased so that he could effectively integrate the forces and the facilities of these European continental countries.

Well, having reached those decisions, then we recessed so as to give our experts and advisers, who were the real hard-workers of all this show, the opportunity to draft the many documents -- I have got them here to file -- as exhibits -- which were required to give effect to these agreements in principle that had been arrived at. And we only allowed them a couple of weeks for the task. And that couple of weeks should be compared, I think, with the fact that when the EDC treaty was being negotiated, they took 12 months to prepare the comparable documents. So, you see, we picked up quite a bit of momentum. So after two weeks we met again in Paris from the trip from which I have just returned. During this interval of two weeks, the experts and the technicians have accomplished really an almost superhuman task in getting agreement -- the agreement of the many countries involved -- different languages, everything of that sort -- to all the necessary documents.

At Paris we agreed first a meeting of the four powers -- the powers that were directly concerned with the question of German sovereignty; that is, the three occupying powers, Britain, France and the United States, plus the Federal Republic of Germany itself. And there we approved the various agreements and documents which had to deal with this subject of restoring German sovereignty. Rather complicated because of the great many things that have been going on during this past ten-year period which has got to be wound up in an orderly way.

And we decided -- which was a fresh decision, really -- to make a new convention to deal with the stationing of forces in Germany. That is of interest to you, Secretary Wilson. And that convention will mean that the forces stationed there in Germany, instead of being there just as a result of the reserve powers which we got under the Potsdam agreements, and the surrender terms, will be there as a result of a fresh agreement, made by Germany voluntarily, and to be approved by the German responsible parliamentary bodies. So Germany, in that respect, will be just like the other allied countries.

Then after the Four had met, then we went on to a meeting of the 9 powers, the same 9 that had had this meeting in London that I have described. There we reached final agreement upon all the documents that would be required, to amend the Brussels treaty, to establish this, the Council for Western Union unity; to setup the agency for the control of the armed forces, and the munitions and equipment, and the like -- and to define the powers of the Council; but in a considerable respect, more in a sense super-national, in a sense that they act by majority vote, or less than unanimous vote, with respect to many important matters.

Then after that came the meeting of the 14 members of the North Atlantic Treaty, acting through the Council of Ministers. And there we unanimously approved of the form of protocol which would invite Germany in as a full and equal member of the North Atlantic Treaty, and make Germany a member of the North Atlantic Treaty Council. And at the same time, we adopted the resolutions that I anticipated, dealing with the increased authority of the Supreme Commander for Europe -- General Gruenther now, as you know, of course, at the present time -- which would give him greater facilities to integrate the forces and the facilities that are assigned to him. So that the result of that, through these controls which will partly be exercised through the Brussels control and its agency, partly through SACOER, and his increased powers. There will be an integration, in fact, of the military strength of these continental powers which will be quite comparable and I think equally effective to that which was to be achieved under the EDC treaty.

Now to return to another quite difficult problem, that was the problem of the Saar.

MRS.HOBBY: Mr. President?

THE PRESIDENT: Yes, Mrs. Hobby?

MRS. HOBBY: May I ask the Secretary to tell us how the Saar agreement was reached? For all of you know that has been one of the most controversial areas in Europe for a long time -- almost a hundred years.

(OVER)

SECRETARY DULLES: Well, Mrs. Hobby, it was a tough problem. That was the last problem to be solved, and you can see from the way it was solved, how hard it was to get it solved.

In the first place, it was really only a problem directly between France and Germany. Did not really concern the rest of us in these other arrangements. But the French had taken the position that they would not sign ~~it~~ any of these other agreements unless the Saar problem was solved. And it dragged on and on. We got within about 24 hours of the date when all these things were supposed to be signed up and there wasn't any agreement.

Then on Friday night, Chancellor Adenauer and Mr. Mendes-France went into a session, and they started at 10 o'clock Friday evening, and they sat together until three o'clock in the morning. Then they broke up at three o'clock in the morning, still turning some of their work over to these famous and hard-working experts. They took a few hours of repose, and they went back again into session first thing Saturday morning, and they were still in session.

And when we gathered at the Quay D'Orsay for the first sining of these things, early in the afternoon, at three o'clock, we didn't know at that time whether they had come to an agreement or not -- or whether this was all going to blow up. And you can imagine, we were a bit nervous as we stood around there in the Quay D'Orsay with our pens in our hands, without knowing whether there was going to be anything to sign or not.

Now the agreement was reached, through this intensive effort by these two leaders. And it is another example of how they showed their statesmanship, to put first things first, and to do away with this age-old problem. So that now we have both the Saar and Trieste, two problems which are settled, I think, and are not going to be unsettling to this European situation.

ATTORNEY GENERAL BROWNELL: May I ask a question, Mr. Secretary? Doesn't this Paris agreement have to be ratified by the parliaments of the nations that are involved?

SECRETARY DULLES: Yes, it will have to be, and that gives a chance for the pessimists -- I am not including you, Mr. Attorney General,---

ATTORNEY GENERAL BROWNELL: (interjecting) Not by any means.

SECRETARY DULLES: (continuing) --- but it gives a chance for the pessimists to say, well we are just going to be back where we were two or three years ago, and we are going to go back through the same delays and frustrations.

I don't believe that it is going to happen that way this time, because I think what has happened has educated everybody to the fact that there is no alternative, this time, to this present plan.

Furthermore, we have thrown into the scales for positive action some elements that weren't there before. I refer particularly to this pledge by the United Kingdom, which is of tremendous importance; and also, I say, the Saar and Trieste are no longer there to be unsettling of the whole situation.

Mr. Mendes-France -- who, by the way, I hope, will be coming here a little later on -- said repeatedly it is up to France to make good some of this time that has been lost, and as you probably recall, already, after the London conference, and between the London and the Paris conferences, they submitted the basic principles of the London agreement both to the parliamentary bodies of Paris and of Germany. And they were approved by a decisive majority. And I think that those facts, coupled with the goodwill and the fellowship which existed through those meetings, and the absence of tension that now is present, for the first time almost, between France and Germany, are a good augury, and are going to indicate that there is probably going to be a positive result.

Now, of course, somebody may wonder how the Soviet Union is ---

SECRETARY OF AGRICULTURE EZRA BENSON: Mr. President, I would like to ask how Secretary Dulles feels that the Soviet Union will react,to the Paris agreement particularly?

THE PRESIDENT: I agree with you, Ezra, that he ought to tell us his story on that.

SECRETARY DULLES: Well, I would say that I feel pretty confident that the Soviet Union doesn't like what is going on. Perhaps that is the understatement of the day. What the communists want is a Europe that is weak and divided, and they are going to try to get that. But I don't think that they are going to succeed. This program we worked out, in fact, is going to protect Russia as much as it protects anybody else against the possible resurgence of German militarism. And there is behind this program a sense of urgency and momentum, so that I don't believe the Soviet Union will be able to break it up. When we create, as I hope we will, a position of solidity and strength for Western Europe, then there may be a new basis for discussion, which doesn't exist at the present time. At least we can hope that then there can be talks more satisfactory than those that exist, when the only object of the Soviet Union is, by trick or device, to try and break up the European unity.

SECRETARY OF THE TREASURY HUMPHREY: Mr. President, may I ask a question?

THE PRESIDENT: Yes sir, George. Secretary Humphrey.

SECRETARY HUMPHREY: Foster, there is one thing that I am very interested in,that you haven't touched on at all. That is, how much extra cost is there going to be for the United States for this plan?

SECRETARY DULLES: Mr. Secretary of the Treasury, it isn't going to cost us a nickel extra. I am sure that is a relief to you.

This agreement we arrived at here is not an agreement that we paid anybody, or promised to pay anybody to make. This is an agreement which the Europeans made for themselves. And that is the main feature of the whole arrangement. Because the important thing was to demonstrate whether the Europeans had the capacity, and the will to arise to a great emergency like this, and had the power of decision and the power of action. That has been proved by the fact that this is an agreement which they made; and we are not, either by pressures or by inducements or bribes, getting anybody to make this. As a matter of fact, it is going to be cheaper for everybody if we can get this agreement through.

Now, Mr. President, you have said many times that we had to be -- you wanted to see us play the part of a good partner. And of course, partnership is a two-sided affair. And I think that what has happened during these last few weeks has demonstrated that there is a basis for a good partnership on both sides of the Atlantic Ocean.

And I want to say one other thing, Mr. President, that as we met there in these gatherings, there was a sense of your spirit being there. Everybody knows that you have understood, as few have, the need for Western European unity, that you have made an immense contribution to it. And if now Europe is going to be strong and united, and a protector of its ancient and precious liberties, it is very largely because of what you have done.

And I bring that judgment back, not as mine, but as a message which many of these leaders in Europe asked me to bring back to you.

Well, that covers, I guess, the story as fully as it needs to be. There is going to be a lot of detail that has to be done; but that is the main outline of what happened.

THE PRESIDENT: Yes. Well, Foster, I feel like we ~~ought to~~ almost ought to give you a standing ovation. You know how intensely I believe that the safety and security of the Western world demanded unity and strength in the -- Western Europe.

Now that that gives every promise of coming about, I can't tell you how gratified I am, not just for myself, but for the entire American people; and your ~~colleagues,~~ colleagues thank you for this brillient presentation. Really we do.

SECRETARY DULLES: ~~Thank~~ Well, thank you very much, sir.

END

MINUTES OF CABINET MEETING

November 5, 1954

10:00 A. M. to 12:40 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay, and
    Asst. Sec. Felix Wormser,
    in part
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young

Gov. Adams
Gen. Persons
Dr. Arthur Burns
Mr. Shanley, in part
Gen. Cutler, in part
Dr. Hauge, in part
Mr. Rabb
Mr. Minnich

Bipartisanship - After opening the meeting with the customary silent prayer, the President stated that much discussion would be needed of specific measures of cooperation with Congress. Until there could be adequate consideration of the great number of ideas being broached, he believed it best to refrain from public discussion. He excepted the sphere of foreign policy, concerning which he wished to announce almost immediately an invitation to the leaders of both parties to attend a briefing at the White House in the near future. He thought there could be no question of the necessity of the Executive having to work with the Congressional opposition because of such matters as scheduling of legislation, hearings, etc.

Sec. Weeks called attention to the situation of the 80th Congress. The President recalled Mr. Hoover's subjection to vicious partisan attacks and disregard of his program. Sec. Wilson believed the present situation very different from earlier ones because of the radio and television facilities which now allow the Executive to reach the people more readily. The President added that the people must know and be convinced that the Administration is doing its best to achieve cooperation with Congress.

The President read to the Cabinet the draft statement concerning the bipartisan briefing.

Significant Aspects of the Election - The Vice President characterized the election outcome as a dead heat, thus ruling out any application of precedents from Mr. Hoover's and Mr. Truman's administrations. He rejected any interpretation of a Democratic mandate and went on to analyze specific reasons for particular districts being lost, such as the coal production problem, organizational weaknesses, and personalities. He emphasized the need for continued adherence to the Eisenhower "middle road" program. He believed the credit for the Republican showing should go to the President's program and the campaigning of top Administration officials -- where the President particularly found the precise balance for his efforts.

The Vice President added that the losing party in any election has a natural advantage in the ensuing one, since it recognizes the necessity for shaking down its organization and instilling new blood and new enthusiasm. He emphasized the desirability of searching out now the possible candidates for the Senate in 1956.

As for Congressional relations, he believed the opposition would be split on amendment of Taft-Hartley for which the Administration should press. He believed the Administration stronger in regard to foreign policy, that there would be a hard fight on power policy, that foreign policy and defense would run more easily, and that investigations of the Administration would be rife. The President believed that Cabinet heads ought to react immediately and favorably at any prospect of investigation. Where there had to be a plea of national security as precluding an investigation, Cabinet heads should be very certain of their ground.

The Vice President concluded by emphasizing, with a mechanical toy which paraded over the Cabinet table, that the Administration must continue to "beat the drum" of achievement.

Sec. Wilson called attention to the Michigan situation where a "labor party" is developing by virtue of CIO influence in the Democratic Party. Sec. Benson anticipated considerable difficulty with the Chairmen of the House and Senate Agriculture Committees. Mr. Stassen believed the President's greatness in history might turn on his success during the next two years. The President took note of the serious split in the Democratic Party which would be the more obvious because of responsibility for running the Congress. He thought the next two years extremely critical because the Republican theory of moderation remained to be proved sufficiently to wean the people back from ideas dependent on wartime emergencies.

In this connection, Mr. Humphrey emphasized the difficulty of maintaining the present high levels of prosperity, predicted that the Democrats would urge increased Federal spending, foresaw great pressures for tax reduction before 1956, and urged a strong battle by the Administration to fight off such pressures from both sides. Mr. Hughes agreed and stressed the need for all departments to join in the effort. Mr. Humphrey then stated that any new inflation would create fears resulting in economic contraction and the end of new job opportunities.

Sec. Mitchell characterized unemployment speech-making as a numbers racket which had to be avoided in the future. He believed that could be done by obtaining more detailed analysis of the character and duration of unemployment, a process requiring increased funds for gathering and analyzing statistics.

The President sketched the planning for developing better publicity and political organization at the grass roots.

After discussion of the election factors in Wyoming, Oregon and Delaware, Sec. Weeks stated his belief that the conduct of foreign affairs was a winning item for Republicans, and he hoped that any forthcoming bipartisan efforts should not be allowed to overshadow the existing bipartisanship policies of the State Department.

(Later in the meeting, Mr. Hagerty again consulted the President with regard to the briefing, and the President directed him to rewrite the statement in accord with Mr. Weeks' comment.)

Emergency Relocation Exercise (CI-5) -

Information concerning national defense has been excised from this page by the Eisenhower Library staff.

Minerals Policy - (CP - 2/1) - Sec. McKay introduced this subject by recalling the interim report of last March and stating that the Cabinet Committee has given unanimous approval to this final report. Mr. Wormser then pointed out high spots in the paper. These included:

1. Mr. Dulles believed the 5th paragraph on page 3 concerning taxes should be worded affirmatively to avoid the appearance of mere procedural objection to the substantive action taken by Congress.

Sec. Humphrey stated that the Committee did not wish to get into the subject of depletion allowances until the entire subject, oil included, could be reviewed. Mr. Wormser agreed that the revision would be made.

2. In connection with recommendation 3, on page 10, the President ascertained definitely that topographical and geological mapping was lagging seriously.

Sec. Dulles raised the question of the future of the Committee. He, Sec. McKay and Mr. Flemming were agreed that the Committee should be dissolved. Sec. Weeks stated that he had no strong feeling on it but that he was advised by his Department that continuing the Committee could do no harm and might do some good. The President questioned how useful the Committee might be in the future, but pointed out that there might be need produced by Mr. Joseph Dodge's study which would lead to revival of the Committee. In the meantime, he said, decision would be based on the theory that the mission of the Committee was completed and it was discharged of its responsibilities. In this discussion, Mr. Dulles emphasized the confusion as to responsibilities which tend to exist when a Cabinet Committee becomes inactive without being dissolved.

On the question of publication of the report, the President believed it best to make reports available to the public when national security is not involved. He wished, however, to have the Committee review the report with the idea of publication in mind and then report back to him. The Attorney General subsequently commented that the report might be developed for publication as an affirmative program for developing national resources.

In connection with the cost of the new policy, Messrs. Humphrey and Hughes stated that provision had already been made.

Mr. Humphrey expressed his belief that the policy of strengthening America by stockpile operations is, in the long term, a very bad one. Mr. Flemming assured the Cabinet of the existence of facts and figures to support stockpiling on the basis of national security alone. Mr. Wilson expressed a rising doubt that stockpile objectives were realistic since in an emergency the domestic economy would have to be constricted more sharply than now anticipated, thus reducing the need for stockpiling. The President warned against any "playing the market" but could not be alarmed about acquiring useful things like metals at low market prices, for he preferred under present world monetary policies to have something like copper instead of gold on hand. Mr. Humphrey then expressed his confidence in present administration of stockpile policies but was fearful of what a different Administration might do. Mr. Wilson believed it dangerous to undertake an extensive stockpiling program since it could not be terminated without seriously affecting the rest of the market. Mr. Humphrey commented that the whole undertaking was generally damaging to free enterprise, and he went on to recount the developments of the past six months in regard to copper where the Government had intervened with free price movements on three occasions. He made clear that he was not objecting to what the Administration had done but that he desired the dangers of the situation to be recognized.

Mr. Dulles then stressed the impossibility of adhering strictly to classical economics when international considerations are brought to bear. He recalled that sound economics are laid aside in time of war and he emphasized that at present we are not at peace and cannot win the cold war on the sole basis of sound economics. Mr. Humphrey agreed but cautioned on the seriousness of the situation if the United States cannot keep its sixty-two million workers employed in a free price economy. The President and Mr. Dulles immediately stressed the greater disaster of war.

Mr. Benson then applied the preceding theories to the butter situation and recounted that the market price of butter had strengthened greatly since the reduction of supports. He believed the Administration must move further in the same direction with regard to other perishable commodities.

Mr. Wilson commented on the necessity of some regulation by stressing the historical development of the need for monetary controls. He considered the greatest danger to be one of stimulating an already over-stimulated economy. He stressed also that the entire world is not run on a basis of a free economy. Mr. Stassen thought it important to question whether the classical free price economy could solve all problems, as for instance 1929. He then emphasized the Administration policy of working for the "middle way".

Mr. Flemming took the discussion back to stockpiling with his comment that this Administration had fallen heir to over-stimulation because the Democrats did not have an intelligent stockpile policy and had to resort to a "crash" expansion program when war broke out in Korea. He stated his approval, however, of Mr. Humphrey's desire to point out the dangers of going too far with certain policies. Mr. Wilson added a comment on the facts which deny the validity of any claim that labor is a commodity.

The President concluded the discussion by stating that there could be no doctrinaire approach to these questions and that facts must be faced as they are. He suggested the Cabinet read more about Lincoln for his political insight.

Reorganization Act Extension - The President stated his belief and that of certain advisers that the Reorganization Act ought be made permanent. Mr. Hughes noted that an appropriate Administration recommendation would be forthcoming in conjunction with one by the Hoover Commission. The President believed there should be no present discussion of any specific reorganization plans, since such might jeopardize extension of the basic law.

Mr. Hughes suggested that Mrs. Hobby might secure through normal legislation the reorganization which she desired, and that departments intending to submit reorganization plans should not develop them at this time so far as to arouse controversy.

Agency Inspection Programs (CI-4) - Mr. Hughes reviewed quickly the information paper submitted to the Cabinet.

Mr. Weeks called attention to the need for an increase of the present $9 per diem allowance for Commerce, if that department was to successfully keep track of its field operations. Mr. Hughes commented that Budget was working on the matter. The President agreed as to the need but also emphasized the tendency of government organizations to expand if they are not watched closely by the heads of the departments. He hoped none of the Administration leaders would contract the bureaucratic spirit of empire building.

Wartime Organization (CI-6) -

Information concerning national defense has been excised from this page by the Eisenhower Library staff.

Information concerning national defense has been excised from this page by the Eisenhower Library staff.

Agricultural Surplus Disposal - Japanese Program (CP-3) - Mr. Stassen cited the need for reaching a determination, prior to Mr. Yoshida's visit, in regard to the size of the PL 480 program for Japan and as to whether rice should be included in that program. After noting disagreements, Mr. Stassen suggested as a possible compromise that the program be established at a level of $85 million initially, with the possibility of increasing it at a later date should need develop. This suggestion was not questioned or disputed.

In regard to the inclusion of rice, Mr. Stassen suggested that rice be not included in the initial program, but that a clause be written in to the effect that Japan would make its normal dollar purchases of rice from the United States. This would leave Japan free to make her other normal purchases from the Southeast Asia countries. Should there still be need for rice in Japan after normal purchases, the 480 program could be enlarged to include rice.

Sec. Benson pointed out that the United States is faced with a heavy rice surplus this year, that the Trade Development Act was passed to provide for such situations, that Agriculture was responsible for Section 1 of the Act, and that Congressional leaders were very anxious to have some rice included in the program. He noted that the United States was trying to regain its former share of the Japanese rice market and that having rice in the 480 program would be helpful in increasing dollar sales also. He believed this could be done without encroaching on the Southeast Asia share of the Japanese rice market.

Sec. Dulles disagreed on the possibility of any market in Japan this year over and above the normal United States and Southeast Asia sales. He noted the bad effect on Burma, Thailand, Pakistan and Formosa should their Japanese market be decreased.

Sec. Humphrey suggested that including rice in the program would merely serve to displace dollar sales, and he believed we would end up merely by having the same surplus of rice but with yen instead of dollars in our pockets. He commented on the difficulty caused by expanded production at the same time as many consumers were cut off from the market. There ensued a discussion of the question of developing trade with Communist China by countries other than the United States, a matter currently under study in the National Security Council.

The President expressed his feeling that a compromise could be worked out for including a small amount of rice in the program along with a provision for negotiation with Japan toward establishing a ratio of dollar and yen purchases. At the conclusion of the meeting, the President spoke briefly to Messrs. Benson and Stassen and they subsequently worked out an agreement for reserving $15 million for rice of an $85 million initial program, and having the Secretary of State negotiate agreements with Japan to include fulfillment of trade agreement purchases with Southeast Asia and also normal dollar purchases of rice in the United States.

L. A. Minnich, Jr.

Copies to: ✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

CONFIDENTIAL
(until last page is removed)

CP - 2

October 14, 1954

THE WHITE HOUSE

Washington, D. C.

THE CABINET

Report of the Cabinet Committee on Minerals Policy

For consideration by the Cabinet, attached is a copy of the Report of the Cabinet Committee on Minerals Policy, established by the President on October 26, 1953. A preliminary report from this Committee was prepared on March 31 and discussed by the Cabinet on April 2.

This, the final report, is composed of a Policy Statement, covered by a transmittal letter from the Committee Members to the President. The Secretary of the Interior will propose that the President make both the Policy Statement and the transmittal letter public as soon as he approves them.

Maxwell M. Rabb
Secretary to the Cabinet

CONFIDENTIAL
(until last page is removed)

CABINET PAPER
FOR CONSIDERATION

THE SECRETARY OF THE INTERIOR

WASHINGTON

October 14, 1954

Dear Mr. President:

We have the honor to transmit to you the attached report which embodies the recommendations of the Cabinet Committee named by you on October 26, 1953, to inquire into national policies affecting the production and utilization of metals and minerals.

You will recall that the basic proposals of the Committee were discussed with you and members of the Cabinet during the month of March of this year.

The Committee's recommendation that the strategic stockpile be expanded to reduce existing elements of risk was put into effect by your announcement of March 26, 1954. We are gratified by the progress made in the establishment of the new long-term objectives and by the general approval which the policy has received at home and abroad.

In your letter requesting us to undertake this assignment, you referred to depressed conditions in segments of the mining industry and specifically to the situation of the lead and zinc producers. The Committee, therefore, gave particular attention to this problem as something of a test case to determine the applicability and effectiveness of its policy guides.

When long-term stockpile objectives were established for these commodities, it was evident that additional purchases were necessary. It was obvious, also, that some steps had to be taken [illegible] maintain domestic production at a reasonable level.

The very announcement of the new stockpile policy gave a firmness to the lead and zinc markets. When a purchase program was inaugurated under this new policy, the market prices of both commodities rose substantially. The price for lead is now approximately 20% above the low point of February, 1954, and for zinc approximately 24% higher.

These increased prices should assist substantially in maintaining the domestic component of the mobilization base.

You will note, however, that our recommendations provide for a periodic review of these two commodities, as well as others, and should the program now in effect prove inadequate other measures will be promptly recommended.

As an essential concomitant of the new long-term stockpile policy, the Committee recommends the preparation of studies on a case-by-case basis, to determine the proper levels of domestic mineral production for each mineral commodity on which to base mobilization plans. These studies are being made by the Department of the Interior in line with the Committee's recommendation that the Office of Defense Mobilization delegate to that Department responsibility for detailed mobilization planning for the production of metals and minerals. The terms of the proposed delegation have been substantially worked out, and it is contemplated that the actual delegation of authority will take place in the near future.

Your Committee makes a series of seven recommendations designed to encourage an orderly but vigorous development of domestic mineral resources.

The first of these calls for elimination from the tax structure of as many deterrents to the discovery and production of minerals as possible. Certain of the objectives sought by the Committee have been achieved in part by the enactment of the new tax bill. These include:

1. The extension of loss "carryback" from one to two years and a modification of the definition of "net loss" so as to permit the taxpayer to take percentage depletion even when using loss carryover provisions.

2. An increase from $75,000 to $100,000 of the amount of exploration expenditure of a capital investment type which may be charged against current income.

3. An increase in the rates of percentage depletion for a number of minerals and metals, and an extension of percentage depletion to recoveries from deposits of waste or residue.

4. A liberalization of the meaning of "mineral property" which will permit increased depletion allowances.

5. An extension of the definition of "ordinary treatment processes" which will enable certain mines to increase percentage depletion.

Collaborative efforts between Interior and Treasury representatives have been initiated to see whether additional tax revisions might be later recommended.

Another recommendation called for the strengthening and continuation of the program of the Defense Minerals Exploration Administration. Action by ODM has given substantial effect to this recommendation.

Other recommendations advocate the reinforcing and broadening of the factfinding, exploration, and research activities of the Department of the Interior. As you know, management surveys by outstanding independent citizens have been made of the Geological Survey and the Bureau of Mines, and the recommendations are already being implemented. Reorganizations of these two agencies along the lines recommended by the surveys will increase the effectiveness of the Department of the Interior in these fields. Additional funds may be needed, however, fully to implement these recommendations of the Cabinet Committee.

The past six months have, we believe, provided sufficient time and experience to test some of the recommendations of the Committee. We believe that the progress that has been made towards their full implementation has been excellent. We are confident that continued progress will be made.

We believe that the specific assignment of this Committee has now been completed and that such further work as may be necessary can be accomplished through regular mechanisms of the Government without continuation of the Committee as such.

The members of the Committee would like to extend their thanks to the Assistant Secretaries who served as alternates and to staff members of each of the agencies of the Committee who contributed significantly to the conclusions and recommendations of the report.

The Secretary of the Treasury and the Director of the Bureau of the Budget, as consultants to the Committee were most helpful and cooperative.

A copy of our policy statement is enclosed.

Very sincerely yours,

Secretary of the Interior, Chairman

Secretary of State

Secretary of Commerce

Director, Office of Defense Mobilization

The President

The White House.

FOR ADMINISTRATIVE USE ONLY
(With Confidential Attachment)

Introduction

The President, by letter of October 26, 1953, appointed us as a Committee to study the problems relating to the production and utilization of metals and minerals and to make recommendations for national policies in this field.

The guidelines of our work as laid down in this letter were:

1. To make sure that we have available mineral raw materials to meet any contingency during the uncertain years ahead.

2. To make sure that we can meet the ever-growing mineral requirements of an expanding economy.

3. To preserve the added economic strength represented by recent expansion of facilities by the domestic mining industry, through policies that would be consistent with our other national and international policies.

It was suggested, also, that the prudent use and development of domestic mineral resources and assured access to necessary sources abroad are indispensable to the operation of an active economy and a sound defense.

In response to these instructions, the members of the Committee have examined existing policies affecting the production and utilization of minerals. We have reviewed the various acts of Congress and programs pursuant thereto as well as the relevant statements that the President has made from time to time on domestic and foreign economic policy. We have drawn freely upon the many studies made in this and related fields and upon the knowledge and experience of Federal agencies concerned with minerals.

Overriding in importance in any consideration of policies relating to mineral production and utilization is the security of the Nation. The lack of available metals and minerals has in the past proved to be a weak link in American security. The members of the Committee have, therefore, examined with care the existing status and progress of mobilization planning and the stockpile of strategic minerals, and have developed recommendations designed to strengthen this aspect of our defense.

We recognize also that the domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort and propose ways and means of maintaining or achieving proper levels of efficient domestic production required as an adequate component of the mobilization base.

Finally, the Committee offers a number of recommendations which it believes will foster a full and orderly program for the development and conservation of our national resources.

The recommendations of the Committee do not attempt to deal with specific commodities. The Committee reached an early finding that courses of action must be tailored to meet mineral commodity problems upon a case-by-case basis. The unequal geographical distribution of mineral deposits, the widely varying factors affecting the exploration and development of ore bodies, and the political and economic complexities surrounding their production, utilization, and flow in trade combine to make generalizations exceedingly difficult. We believe, however, that the guidelines laid down by the Committee will prove helpful in the working out of day-to-day problems and flexible enough to meet changing national and international conditions.

I THE PROBLEM OF SECURITY

A. THE STRATEGIC STOCKPILE

Twice within the last 15 years, the United States has been drawn into international conflicts with almost no stockpile of strategic and critical materials. The absence of an adequate stockpile required the Nation in 1942-44 and again in 1950-52, to undertake costly and disruptive expansion programs to obtain materials which a stockpile, accumulated in advance, could have supplied. It was necessary at a most difficult time to divert scarce machinery and equipment, manpower, and military forces to obtain these materials.

The Committee believes that these tragic experiences point up the need for an adequate stockpile of strategic and critical materials to meet the tremendous surges of demand that come with war.

To the degree that minerals are stockpiled within the United States prior to the start of the war, there will be less need, or no need at all, for forced-draft wartime expansion of raw materials production involving unreasonable increases in prices or substantial Government investment. Likewise, there will be less need for stringent wartime allocations, ceiling prices, and limitation orders on raw materials. In addition, stockpiling can greatly reduce the need for diversion of naval, air, and military efforts to the secondary task of protecting overseas sources of materials and supply lanes when they should be employed in the primary task of fighting the war.

Minimum Objectives

Stockpiling of strategic and critical materials was authorized by the Act of June 7, 1939, as amended by the Act of July 23, 1946. Acquisitions pursuant to these acts have for the most part been based upon "minimum" objectives, intended to make up for anticipated loss of, or serious interference with, foreign sources of strategic materials in a five-year war period. In general, estimates were made of the wartime requirements (consisting of military, AEC, industrial, essential civilian, and essential exports) and estimates were also made of the supplies expected to be available in wartime from domestic production and from strategically accessible foreign sources. Safety factors made some provision for estimated shipping losses, political instability in foreign countries, and the danger of relying on concentrated sources. Where anticipated wartime supplies for a commodity did not meet projected requirements, the indicated deficit was generally established as the stockpile objective. These "minimum" objectives, however, still assumed substantial wartime imports, as well as stringent conservation measures.

As of June 30, 1954, minimum stockpile objectives for all materials were valued at approximately $7.0 billion and approximately $4.3 billion worth of materials were physically on hand. A total of 75 materials are being stockpiled and of these 55 are metals and minerals. Dollarwise, about 80% are metals and minerals. It is Government policy to acquire these minimum objectives as rapidly as possible. When an objective is largely on hand, the Government gradually reduces the rate of procurement to withdraw from the market with a minimum unsettling effect.

Under the Defense Production Act commitments of over $6 billion have been made to expand supplies of materials to meet defense purposes including stockpiling. Accelerated tax amortization is also used where appropriate. Assisted materials expansion is preferably located within the United States, or alternatively, in strategically accessible foreign sources.

Long-Term Objectives

The Committee recommends a complete review of all stockpile objectives for metals and minerals and the establishment of new long-term objectives that will assure, over a period of time, the acquisition of adequate stocks of strategic and critical minerals, and thereby reduce and where possible eliminate foreseeable wartime shortages.

Long-term objectives are calculated further to reduce dangerous and costly dependence on sources of materials outside of the United States and accessible areas as defined by the National Security Council as well as to eliminate in wartime production programs the necessity for conservation measures so stringent as to jeopardize essential war-supporting activities.

In calculating these "long-term" stockpile objectives, particular attention must be given to the large bulk items which in wartime would require great tonnages of ocean shipping. In addition, the possibilities of destruction of key metal and mineral producing facilities in the U.S.A. and in strategically accessible sources must be assessed in view of the development of atomic weapons, and appropriate provision made for additional stockpiling where required.

Policies now in effect covering acquisition of materials to meet minimum stockpile objectives should be continued, but acquisition of materials to meet the increment between minimum and "long-term" objectives should go forward under limitations hereinafter stated.

Acquisitions beyond the existing minimum stockpile objectives to achieve the "long-term" objectives should be made only under comprehensive acquisition plans developed by the Office of Defense Mobilization. Such acquisitions should take place ordinarily at such times as the Government decides that purchases will help to reactivate productive capacity and in other ways to alleviate distressed conditions in connection with domestic mineral industries that are an important element of the Nation's mobilization base. Accordingly, in making purchases preference should be given to newly-mined metals and minerals of domestic origin. Acquisitions will also continue to be made by obtaining strategic and critical metals and minerals in exchange for surplus agricultural commodities (which have already been paid for by the Government); and by transferring to the stockpile surplus metals and minerals generated under the Defense Production Act, the Federal Property Act, and other legislation.

In acquiring metals and minerals for the "long-term" stockpile objective, care should be exercised to avoid interfering with the normal relationships of regular trade in the United States and in friendly foreign countries. Where more than one agency of the Government is involved in these transactions close coordination by ODM will be required.

Materials in the stockpile should also be upgraded to the point at which they are more readily useable in the economy -- whereby electric power, transportation, manpower, facilities, and time--all of which will be short in time of war--are also stockpiled.

Upgrading of stockpile materials should normally be done only when it can be accomplished at favorable prices and in periods of lowered economic activity, thus providing both domestic employment opportunities and the maintenance of plants and facilities which are essential elements of the mobilization base.

All materials acquired should be held under all of the safeguards provided by the present Stockpile Act.

B. MAINTAINING DOMESTIC PRODUCTION FOR THE MOBILIZATION BASE

The Cabinet Mineral Policy Committee recognizes that a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States. The domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort.

In addition to our need for domestic mineral production, it must be recognized that there are many important minerals where efficient domestic production is entirely lacking or inadequate to meet industrial and defense needs and where, as a consequence, stockpiling and accessible foreign sources must be relied upon.

The Committee recommends that the supply-demand situation for each of the metals and minerals be evaluated periodically on a case-by-case basis to establish the proper level of efficient domestic production required as an adequate component of the mobilization base. When it is found that the level of such production in the case of any particular mineral is, or is likely to become, insufficient to serve as an adequate component of the mobilization base, a comprehensive program involving the best use of all of the various existing authorities of the Government should be developed to maintain or to achieve that level of domestic production. In the event that the present authorities of the Government are inadequate to accomplish the desired objective, appropriate legislative recommendations should be prepared. The programs that are developed as a result of these case-by-case studies must be consistent with the basic foreign economic policy of the Government.

C. MOBILIZATION PLANNING FOR MINERALS

Mobilization planning for the mineral producing industries involves preparation of basic information on present and future mineral producing capacity in the U.S.A. and in foreign countries, including assessment of the extent of mineral reserves. The level of production that must be maintained in peacetime for each mineral must be established in order to ensure an adequate mobilization base for war. Industry must frequently be consulted so that it is aware of Government mobilization requirements, and, conversely, the Government must make plans that will enable the mineral industry to retain essential technical and skilled personnel and to obtain necessary machinery, power, transportation and maintenance, repair, and operating supplies. Even where stockpile objectives are achieved there is still a need for detailed mineral mobilization planning since stockpile objectives assume certain levels of production in wartime. Moreover, there are many important minerals for which no stockpiling is presently being attempted.

Prior to World War II there was almost no mobilization planning for minerals, although the War Industries Board of World War I had clearly pointed out the need for such planning. During World War II the War Production Board--a temporary agency--handled most of the allocation and expansion activities. After the start of the Korean War responsibility for the mobilization program was divided among several regular Government agencies.

The Office of Defense Mobilization (ODM) is responsible for overall mobilization planning activities of the Government but those activities relating to minerals have been reduced to a bare skeleton basis and divided among several agencies.

The Bureau of Mines and the Geological Survey, within the Department of the Interior, presently collect most of the basic information on mineral productive capacity and mineral uses that is essential for intelligent and detailed mobilization planning. In addition, Interior is already responsible for solid and liquid fuels and for domestic mineral exploration.

The Committee recommends, therefore, that the ODM, without relinquishing its primacy in the field of mobilization planning, delegate to the Secretary of the Interior responsibility for detailed mobilization planning for the production of metals and minerals.

II DEVELOPMENT OF DOMESTIC MINERAL RESOURCES

In addition to security considerations, the Committee believes that an orderly development and wise use of the Nation's resources is an essential element in a strong and sound economy.

A major objective of mineral policy is a full and orderly program for the development and conservation of the country's mineral resources.

Mineral resources are wasting assets. True conservation calls for wise and full use to achieve the utmost value and to assure future supply. Although ore extracted from earth does not renew itself, conservation cannot be achieved by locking up our resources for some indefinite use in the indefinite future. Thus, intensive search for new deposits and development of new properties are required to maintain prudent levels of reserves.

Successful mining usually requires long-range planning and substantial investment. Today's mines are the result of exploration, development, and risk-taking over a period of many years. Exploration for mineral deposits often requires substantial venture capital -- much of it a total loss. Development of new deposits requires heavy auxiliary investment in housing, transportation and other facilities in remote areas, and frequently the perfection of new technologies for mining and treatment of ores.

Mines of the future must be planned today -- not a decade hence.

The Committee believes that the Government has an obligation to assure that the mineral resources of the Nation be developed, conserved, and utilized in the best possible manner over the longest possible period in order to enhance its security and commerce. Development of mineral resources is, of course, primarily a function of private enterprise. The Government must, however, continue to assist in many ways.

The Committee believes that the search for new sources of mineral wealth within the United States needs to be pressed more vigorously. Evidence obtained through geologic investigations suggests that abundant mineral wealth awaits discovery.

A more adequate appraisal of the Nation's mineral assets would enable Government and industry more wisely to plan to meet security requirements. A greater knowledge of mineral resources made available to industry would tend to stimulate greater investment in development and production.

To encourage the optimum economic development of domestic mineral resources, the Committee offers the following recommendations:

1. That the tax structure as it affects the discovery and production of metals and minerals should be periodically reviewed in order to eliminate, where possible, deterrents to the sound development of the Nation's mineral resources.

2. That the program of financial assistance to private industry for exploration such as that now administered by the Defense Minerals Exploration Administration be strengthened and continued.

3. That the Department of the Interior, the Federal agency with major responsibilities in this field, accelerate those activities which must precede or supplement private exploration such as topographic and geologic mapping, geologic research and the development of geochemical and geophysical theories and techniques.

4. That the Department of the Interior, through the Bureau of Mines and the Geological Survey, expand direct exploration activities aimed at the discovery of new mineralized areas or critically short materials essential to security but that work in this field be confined to that which provides data as to the probable location and general potential of mineral deposits, and, further, that this type of search be undertaken by the Federal Government only when it clearly is in the national interest and when it is reasonably certain that the work will not be done by private industry.

5. That the Secretary of the Interior develop recommendations for such revisions of the mining laws as may be desirable to recognize and thus encourage the use of newer methods of exploration.

6. That the Secretary of the Interior take such steps as may be necessary to strengthen and coordinate the collection and dissemination of facts concerning the Nation's mineral resources and factors pertaining to their production and utilization.

7. That the Department of the Interior intensify its program of mineral and metal research aimed at the development of latent resources, new mineral raw materials and improved utilization of existing raw materials, and coordinate its mineral and metal research with that of other Federal agencies, and as practicable, with research by industry.

Implementation of recommendations pursuant to 1 and 5 may require additional legislation. Authority for No. 2 is contained in the Defense Production Act of 1950, as amended. Adequate authority exists for the implementation of the remaining recommendations.

III GOVERNMENT-INDUSTRY RELATIONS

The Committee believes that the objectives sought by mineral policy can be more effectively achieved if closer cooperation can be developed between Government and the mineral industries.

It is recommended that the Secretary of the Interior work out ways and means of establishing and maintaining through some workable body the contacts between the mining industry and Government necessary to give force and effect to policies recommended herein.

~~CONFIDENTIAL~~
(until last page is removed)

CP - 2/1

November 3, 1954

THE WHITE HOUSE

Washington, D. C.

THE CABINET

Report of the Cabinet Committee on Minerals Policy (Revised)

For consideration by the Cabinet, attached is a copy of the Report of the Cabinet Committee on Minerals Policy, established by the President on October 26, 1953. A preliminary report from this Committee was prepared on March 31 and discussed by the Cabinet on April 2. The attached draft has been revised, since the October 14 version, after special consultation with several interested Departments.

This, the final report, is composed of a Policy Statement, covered by a transmittal letter from the Committee Members to the President. The Secretary of the Interior will propose that the President make both the Policy Statement and the transmittal letter public as soon as he approves them.

Maxwell M. Rabb
Secretary to the Cabinet

~~CONFIDENTIAL~~
(until last page is removed)

CABINET PAPER
FOR CONSIDERATION

THE SECRETARY OF THE INTERIOR
WASHINGTON

November 5, 1954

Dear Mr. President:

We have the honor to transmit to you the attached report which embodies the recommendations of the Cabinet Committee named by you on October 26, 1953, to inquire into national policies affecting the production and utilization of metals and minerals.

You will recall that the basic proposals of the Committee were discussed with you and members of the Cabinet during the month of March of this year.

The Committee's recommendation that the strategic stockpile be expanded in the interest of national security was put into effect by your announcement of March 26, 1954. We are gratified by the general approval which this policy has received at home and abroad.

In your letter requesting us to undertake this assignment, you referred to depressed conditions in segments of the mining industry and specifically to the situation of the lead and zinc producers. The Committee, therefore, gave particular attention to this problem as a representative test case.

When long-term stockpile objectives were established for these commodities, it was evident that additional purchases were necessary. It was obvious, also, that some steps had to be taken to maintain domestic production at a reasonable level.

The very announcement of the new stockpile policy gave a firmness to the lead and zinc markets. When a purchase program was inaugurated under this new policy, the market prices of both commodities rose substantially. The price for lead is now approximately 20% above the low point of February, 1954, and for zinc approximately 24% higher.

These increased prices should assist substantially in maintaining the domestic component of the mobilization base.

You will note, however, that our recommendations provide for a periodic review of these two commodities, as well as others, and should the program now in effect prove inadequate other measures will be promptly recommended.

As an essential concomitant of the new long-term stockpile policy, the Committee recommends the preparation of studies on a case-by-case basis, to determine the proper levels of domestic mineral production for each mineral commodity on which to base mobilization plans. These studies are being made by the Department of the Interior in line with the Committee's recommendation that the Office of Defense Mobilization delegate to that Department certain responsibilities for detailed mobilization planning for the production of metals and minerals. The terms of the proposed delegation have been substantially worked out, and it is contemplated that the actual delegation of authority will take place in the near future.

Your Committee makes a series of seven recommendations designed to encourage an orderly but vigorous development of domestic mineral resources.

CABINET PAPER
FOR CONSIDERATION

The first of these calls for elimination from the tax structure of as many deterrents to the discovery and production of minerals as possible without impairing the fairness and adequacy of the tax system.

The recently enacted Internal Revenue Code of 1954 contains several major provisions which remove obstacles to development in the mineral industries as well as industry generally. These include: (1) a substantial liberalization of the rules governing depreciation so as to allow a larger proportion of the costs to be written off in the early years of the asset's life, thus conforming depreciation for tax purposes more closely with economic realities; (2) an extension from one to two years of the net operating loss carryback which, in combination with the 5-year carryforward, increases the averaging period for such losses to eight years and improves the possibility of immediate refunds in the event of a loss; and (3) the $50 dividend exclusion and the 4 percent credit which provide partial relief from the double taxation of dividend income and hence reduce the penalties imposed on the financing of business expansion with equity capital.

The new Code also contains provisions designed to clarify and liberalize the definitions of "mineral property" and "income from mining" which are used in the computation of percentage depletion. These changes were for the most part endorsed by the Administration as a part of the technical revision of the tax law.

The new law also raised from $75,000 to $100,000 the limit on the amount of mine exploration expenditures which may be charged against current income.

The Congress also included in the new Code substantial increases in the rates of percentage depletion for a large number of minerals, and revised the definition of net operating loss so as to give full effect to percentage depletion in the computation of the incomes of the years in which the loss is incurred and to which the loss is carried. The Administration opposed these changes because they dealt with major policy issues, the proper solution of which was the subject of the still uncompleted comprehensive survey of the taxation of the mineral industries announced by the President in his January 1954 Budget Message.

Representatives of the Departments of Interior and Treasury are continuing to work on this study with a view to recommendations which will contribute both to the objectives of mineral policy and the improvement of the tax structure.

Another recommendation called for the strengthening and continuation of the program of the Defense Minerals Exploration Administration. Action by ODM has given substantial effect to this recommendation.

Other recommendations advocate the reinforcing and broadening of the factfinding, exploration, and research activities of the Department of the Interior. As you know, management surveys by outstanding independent citizens have been made of the Geological Survey and the Bureau of Mines, and the recommendations are already being implemented. Reorganizations of these two agencies along the lines recommended by the surveys will increase the effectiveness of the Department of the Interior in these fields. Additional funds may be needed, however, fully to implement these recommendations of the Cabinet Committee.

The past six months have, we believe, provided sufficient time and experience to test some of the recommendations of the Committee. We believe that the progress that has been made towards their full implementation has been excellent. We are confident that continued progress will be made.

The members of the Committee would like to extend their thanks to the Assistant Secretaries who served as alternates and to staff members of each of the agencies of the Committee who contributed significantly to the conclusions and recommendations of the report.

The Secretary of the Treasury and the Director of the Bureau of the Budget, as consultants to the Committee were most helpful and cooperative.

A copy of our policy statement is enclosed.

Very sincerely yours,

Secretary of the Interior, Chairman

Secretary of State

Secretary of Commerce

Director, Office of Defense Mobilization

The President

The White House

FOR ADMINISTRATIVE USE ONLY
(With Confidential Attachment)

Introduction

The President, by letter of October 26, 1953, appointed us as a Committee to study the problems relating to the production and utilization of metals and minerals and to make recommendations for national policies in this field.

The guidelines of our work as laid down in this letter were:

1. To make sure that we have available mineral raw materials to meet any contingency during the uncertain years ahead.

2. To make sure that we can meet the ever-growing mineral requirements of an expanding economy.

3. To preserve the added economic strength represented by recent expansion of facilities by the domestic mining industry, through policies that would be consistent with our other national and international policies.

It was suggested, also, that the prudent use and development of domestic mineral resources and assured access to necessary sources abroad are indispensable to the operation of an active economy and a sound defense.

In response to these instructions, the members of the Committee have examined existing policies affecting the production and utilization of minerals. We have reviewed the various acts of Congress and programs pursuant thereto as well as the relevant statements that the President has made from time to time on domestic and foreign economic policy. We have drawn freely upon the many studies made in this and related fields and upon the knowledge and experience of Federal agencies concerned with minerals.

Overriding in importance in any consideration of policies relating to mineral production and utilization is the security of the Nation. The lack of available metals and minerals has in the past proved to be a weak link in American security. The members of the Committee have, therefore, examined with care the existing status and progress of mobilization planning and the stockpile of strategic minerals, and have developed recommendations designed to strengthen this aspect of our defense.

We recognize also that the domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort and propose ways and means of maintaining or achieving proper levels of efficient domestic production required as an adequate component of the mobilization base.

Finally, the Committee offers a number of recommendations which it believes will foster a full and orderly program for the development and conservation of our national resources.

The recommendations of the Committee do not attempt to deal with specific commodities. The Committee reached an early finding that courses of action must be tailored to meet mineral commodity problems upon a case-by-case basis. The unequal geographical distribution of mineral deposits, the widely varying factors affecting the exploration and development of ore bodies, and the political and economic complexities surrounding their production, utilization, and flow in trade combine to make generalizations exceedingly difficult. We believe, however, that the guidelines laid down by the Committee will prove helpful in the working out of day-to-day problems and flexible enough to meet changing national and international conditions.

I THE PROBLEM OF SECURITY

A. THE STRATEGIC STOCKPILE

Twice within the last 15 years, the United States has been drawn into international conflicts with almost no stockpile of strategic and critical materials. The absence of an adequate stockpile required the Nation in 1942-44 and again in 1950-52, to undertake costly and disruptive expansion programs to obtain materials which a stockpile, accumulated in advance, could have supplied. It was necessary at a most difficult time to divert scarce machinery and equipment, manpower, and military forces to obtain these materials.

The Committee believes that these tragic experiences point up the need for an adequate stockpile of strategic and critical materials to meet the tremendous surges of demand that come with war.

To the degree that minerals are stockpiled within the United States prior to the start of the war, there will be less need, or no need at all, for forced-draft wartime expansion of raw materials production involving unreasonable increases in prices or substantial Government investment. Likewise, there will be less need for stringent wartime allocations, ceiling prices, and limitation orders on raw materials. In addition, stockpiling can greatly reduce the need for diversion of naval, air, and military efforts to the secondary task of protecting overseas sources of materials and supply lanes when they should be employed in the primary task of fighting the war.

Minimum Objectives

Stockpiling of strategic and critical materials was authorized by the Act of June 7, 1939, as amended by the Act of July 23, 1946. Acquisitions pursuant to these acts have for the most part been based upon "minimum" objectives, intended to make up for anticipated loss of, or serious interference with, foreign sources of strategic materials in a five-year war period. In general, estimates were made of the wartime requirements (consisting of military, AEC, industrial, essential civilian, and essential exports) and estimates were also made of the supplies expected to be available in wartime from domestic production and from strategically accessible foreign sources. Safety factors made some provision for estimated shipping losses, political instability in foreign countries, and the danger of relying on concentrated sources. Where anticipated wartime supplies for a commodity did not meet projected requirements, the indicated deficit was generally established as the stockpile objective. These "minimum" objectives, however, still assumed substantial wartime imports, as well as stringent conservation measures.

As of June 30, 1954, minimum stockpile objectives for all materials were valued at approximately $7.0 billion and approximately $4.3 billion worth of materials were physically on hand. A total of 75 materials are being stockpiled and of these 55 are metals and minerals. Dollarwise, about 80% are metals and minerals. It is Government policy to acquire these minimum objectives as rapidly as possible. When an objective is largely on hand, the Government gradually reduces the rate of procurement to withdraw from the market with a minimum unsettling effect.

Under the Defense Production Act commitments of over $6 billion have been made to expand supplies of materials to meet defense purposes including stockpiling. Accelerated tax amortization is also used where appropriate. Assisted materials expansion is preferably located within the United States, or alternatively, in strategically accessible foreign sources.

Long-Term Objectives

The Committee recommends a complete review of all stockpile objectives for metals and minerals and the establishment of new long-term objectives that will assure, over a period of time, the acquisition of adequate stocks of strategic and critical minerals, and thereby reduce and where possible eliminate foreseeable wartime shortages.

Long-term objectives are calculated further to reduce dangerous and costly dependence on sources of materials outside of the United States and accessible areas as defined by the National Security Council as well as to eliminate in wartime production programs the necessity for conservation measures so stringent as to jeopardize essential war-supporting activities.

In calculating these "long-term" stockpile objectives, particular attention must be given to the large bulk items which in wartime would require great tonnages of ocean shipping. In addition, the possibilities of destruction of key metal and mineral producing facilities in the U.S.A. and in strategically accessible sources must be assessed in view of the development of atomic weapons, and appropriate provision made for additional stockpiling where required.

Policies now in effect covering acquisition of materials to meet minimum stockpile objectives should be continued, but acquisition of materials to meet the increment between minimum and "long-term" objectives should go forward under limitations hereinafter stated.

Acquisitions beyond the existing minimum stockpile objectives to achieve the "long-term" objectives should be made only under comprehensive acquisition plans developed by the Office of Defense Mobilization. Such acquisitions should take place ordinarily at such times as the Government decides that purchases will help to reactivate productive capacity and in other ways to alleviate distressed conditions in connection with domestic mineral industries that are an important element of the Nation's mobilization base. Accordingly, in making purchases preference should be given to newly-mined metals and minerals of domestic origin. Acquisitions will also continue to be made by obtaining strategic and critical metals and minerals in exchange for surplus agricultural commodities (which have already been paid for by the Government); and by transferring to the stockpile surplus metals and minerals generated under the Defense Production Act, the Federal Property Act, and other legislation.

In acquiring metals and minerals for the "long-term" stockpile objective, care should be exercised to avoid interfering with the normal relationships of regular trade in the United States and in friendly foreign countries. Where more than one agency of the Government is involved in these transactions close coordination by ODM will be required.

Materials in the stockpile should also be upgraded to the point at which they are more readily useable in the economy -- whereby electric power, transportation, manpower, facilities, and time--all of which will be short in time of war--are also stockpiled.

Upgrading of stockpile materials should normally be done only when it can be accomplished at favorable prices and in periods of lowered economic activity, thus providing both domestic employment opportunities and the maintenance of plants and facilities which are essential elements of the mobilization base.

All materials acquired must be held under all of the safeguards provided by the present Stockpile Act.

B. MAINTAINING DOMESTIC PRODUCTION FOR THE MOBILIZATION BASE

The Cabinet Mineral Policy Committee recognizes that a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States. The domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort.

In addition to our need for domestic mineral production, it must be recognized that there are many important minerals where efficient domestic production is entirely lacking or inadequate to meet industrial and defense needs and where, as a consequence, stockpiling and accessible foreign sources must be relied upon.

The Committee recommends that the supply-demand situation for each of the metals and minerals be evaluated periodically on a case-by-case basis to establish the proper level of efficient domestic production required as an adequate component of the mobilization base. When it is found that the level of such production in the case of any particular mineral is, or is likely to become, insufficient to serve as an adequate component of the mobilization base, a comprehensive program involving the best use of all of the various existing authorities of the Government should be developed to maintain or to achieve that level of domestic production. In the event that the present authorities of the Government are inadequate to accomplish the desired objective, appropriate legislative recommendations should be prepared. The programs that are developed as a result of these case-by-case studies must be consistent with the basic foreign economic policy of the Government.

C. MOBILIZATION PLANNING FOR MINERALS

Mobilization planning for the mineral producing industries involves preparation of basic information on present and future mineral producing capacity in the U.S.A. and in foreign countries, including assessment of the extent of mineral reserves. The level of production that must be maintained in peacetime for each mineral must be established in order to ensure an adequate mobilization base for war. Industry must frequently be consulted so that it is aware of Government mobilization requirements, and, conversely, the Government must make plans that will enable the mineral industry to retain essential technical and skilled personnel and to obtain necessary machinery, power, transportation and maintenance, repair, and operating supplies. Even where stockpile objectives are achieved there is still a need for detailed mineral mobilization planning since stockpile objectives assume certain levels of production in wartime. Moreover, there are many important minerals for which no stockpiling is presently being attempted.

Prior to World War II there was almost no mobilization planning for minerals, although the War Industries Board of World War I had clearly pointed out the need for such planning. During World War II the War Production Board--a temporary agency--handled most of the allocation and expansion activities. After the start of the Korean War responsibility for the mobilization program was divided among several regular Government agencies.

The Office of Defense Mobilization (ODM) is responsible for overall mobilization planning activities of the Government but those activities relating to minerals have been reduced to a bare skeleton basis and divided among several agencies.

The Committee recommends that the ODM review with the Departments of Interior and Commerce, and other agencies concerned, the tasks which need to be carried on to build and maintain the mobilization base for metals and minerals; and issue necessary delegations of authority to assure full coverage of mobilization planning for metals and minerals within the policy framework and criteria established by ODM.

II DEVELOPMENT OF DOMESTIC MINERAL RESOURCES

In addition to security considerations, the Committee believes that an orderly development and wise use of the Nation's resources is an essential element in a strong and sound economy.

A major objective of mineral policy is a full and orderly program for the development and conservation of the country's mineral resources.

Mineral resources are wasting assets. True conservation calls for wise and full use to achieve the utmost value and to assure future supply. Although ore extracted from earth does not renew itself, conservation cannot be achieved by locking up our resources for some indefinite use in the indefinite future. Thus, intensive search for new deposits and development of new properties are required to maintain prudent levels of reserves.

Successful mining usually requires long-range planning and substantial investment. Today's mines are the result of exploration, development, and risk-taking over a period of many years. Exploration for mineral deposits often requires substantial venture capital -- much of it a total loss. Development of new deposits requires heavy auxiliary investment in housing, transportation and other facilities in remote areas, and frequently the perfection of new technologies for mining and treatment of ores.

Mines of the future must be planned today -- not a decade hence.

The Committee believes that the Government has an obligation to assure that the mineral resources of the Nation be developed, conserved, and utilized in the best possible manner over the longest possible period in order to enhance its security and commerce. Development of mineral resources is, of course, primarily a function of private enterprise. The Government must, however, continue to assist in many ways.

The Committee believes that the search for new sources of mineral wealth within the United States needs to be pressed more vigorously. Evidence obtained through geologic investigations suggests that abundant mineral wealth awaits discovery.

A more adequate appraisal of the Nation's mineral assets would enable Government and industry more wisely to plan to meet security requirements. A greater knowledge of mineral resources made available to industry would tend to stimulate greater investment in development and production.

To encourage the optimum economic development of domestic mineral resources, the Committee offers the following recommendations:

1. That the tax structure as it affects the discovery and production of minerals should be periodically reviewed in order to eliminate, where possible, such deterrents as may be found to exist to the sound development of the Nation's mineral resources.

2. That the program of financial assistance to private industry for exploration such as that now administered by the Defense Minerals Exploration Administration be strengthened and continued.

3. That the Department of the Interior, the Federal agency with major responsibilities in this field, accelerate those activities which must precede or supplement private exploration such as topographic and geologic mapping, geologic research and the development of geochemical and geophysical theories and techniques.

4. That the Department of the Interior, through the Bureau of Mines and the Geological Survey, expand direct exploration activities aimed at the discovery of new mineralized areas or critically short materials essential to security but that work in this field be confined to that which provides data as to the probable location and general potential of mineral deposits, and, further, that this type of search be undertaken by the Federal Government only when it clearly is in the national interest and when it is reasonably certain that the work will not be done by private industry.

5. That the Secretary of the Interior develop recommendations for such revisions of the mining laws as may be desirable to recognize and thus encourage the use of newer methods of exploration.

6. That the Secretary of the Interior take such steps as may be necessary to strengthen and coordinate the collection and dissemination of facts concerning the Nation's mineral resources and factors pertaining to their production and utilization.

7. That the Department of the Interior intensify its program of mineral and metal research aimed at the development of latent resources, new mineral raw materials and improved utilization of existing raw materials, and coordinate its mineral and metal research with that of other Federal agencies, and as practicable, with research by industry.

Implementation of recommendations pursuant to 1 and 5 may require additional legislation. Authority for No. 2 is contained in the Defense Production Act of 1950, as amended. Adequate authority exists for the implementation of the remaining recommendations.

III GOVERNMENT-INDUSTRY RELATIONS

The Committee believes that the objectives sought by mineral policy can be more effectively achieved if closer cooperation can be developed between Government and the mineral industries.

It is recommended that the Secretary of the Interior work out ways and means of establishing and maintaining through some workable body the contacts between the mining industry and Government necessary to give force and effect to policies recommended herein.

for: NEXT CABINET MEETING

not to go on Agenda

November 1, 1954

PRESIDENT'S STATEMENT TO THE CABINET ON EXTENDING THE REORGANIZATION ACT

"The Reorganization Act of 1949, as amended, expires next April 1. I have a direct and personal interest in that Act. It is my intention to request the Congress at the outset of the next session to enact legislation to extend the provisions of the Reorganization Act past the April 1 expiration date.— a permanent extension

"The Congress should be able to consider my request for extending legislation on its own merits divorced from controversy over the specifics of any particular reorganization proposal. If the debate over extension should become entangled with a discussion of particular reorganizations, the Congress may not extend the Reorganization Act or may attach crippling amendments to it.

"Therefore, it is my request and expectation that -- from this time forward until the Reorganization Act is extended -- spokesmen for the administration will refrain from discussing publicly specific reorganization proposals or matters related thereto."

OFFICIAL USE ONLY

CI - 4

November 3, 1954

The White House

Washington

THE CABINET

Progress Report on Review of Agency Inspection Programs

For information of the Cabinet, attached is a brief memorandum prepared by the Director of the Bureau of the Budget summarizing the progress which has been made to date in initiating the Executive Branch Inspection Program approved by the Cabinet at its meeting on June 24, 1954.

This memorandum will be the basis for discussion of the progress on this program at the coming Cabinet Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

OFFICIAL USE ONLY

CABINET PAPER
FOR INFORMATION

Progress Report on Review of Agency Inspection Programs

Background: Pursuant to the Budget Bureau Memorandum of June 14, 1954, forty-seven departments and agencies were requested to undertake a review of their respective inspection programs, rules of conduct, and procedures and organization for the detection and prevention of employee misconduct. Each department and agency was directed to submit to the Director of the Bureau of the Budget, not later than September 1, 1954, a report of the review and evaluation of its inspection program and any action thereto.

Results: Reports have been received from thirty-eight agencies. The following agencies have not yet submitted reports, although most have indicated that they have the matter under active consideration: Departments of Commerce, Treasury and Justice; Housing and Home Finance Agency; Interstate Commerce Commission; National Advisory Council on Aeronautics; Railroad Retirement Board; Tax Court of the United States; and the United States Tariff Commission.

With one exception, the thirty-eight departments and agencies reporting have substantially complied with the guidelines set forth in the Budget Bureau Memorandum. Systematic procedures for dealing with information or complaints about employee misconduct have been established. These procedures provide in all instances for: (1) designation of a single official to receive and follow up on complaints and information from all sources; (2) independent investigation; and (3) prompt referral to the Department of Justice of evidence indicating criminal violations. In addition, five agencies established for the first time formal rules of conduct, and fifteen agencies revised their existing rules of conduct.

A vast majority of the agencies have assigned the inspection function to an existing official and do not plan to create new facilities to carry out the inspection program. Officials most commonly designated are the Administrative Assistant Secretary, Director of Administration, Executive Director or Secretary, and General Counsel. The following six agencies are planning to establish new facilities: Departments of Agriculture, Labor, and Health, Education, and Welfare; Atomic Energy Commission; Federal Civil Defense Administration; and Federal Trade Commission. The Department of Agriculture plans to set up a new central inspection staff. The Department of Labor is going to appoint a Special Assistant to the Under Secretary for Inspection. The Department of Health, Education, and Welfare has established an Office of Inspection. The Atomic Energy Commission and Federal Trade Commission have established separate inspection units, and the Federal Civil Defense Administration has set up the position of Assistant Administrator, Inspection.

CABINET PAPER
FOR INFORMATION

THE WHITE HOUSE
WASHINGTON

November 5, 1954

DE

MEMORANDUM FOR THE PRESIDENT

Governor Stassen called this morning to place upon the Cabinet Agenda for discussion the question of the disposal of agricultural surpluses in Japan. He feels that with Yoshida's coming to Washington this next week, it is imperative that a decision be made about this matter. State and Agriculture have been informed that this question will come up. The reason that this item is on the Agenda is that, contrary to expectations, complete agreement could not be reached by the interested agencies in their last conference yesterday afternoon.

Governor Stassen will discuss the following two issues for about five minutes:

(1) Whether any United States rice is to be included in the program;

(2) The size of the total program.

M.M.R.
Max Rabb

CONFIDENTIAL

CP - 3

November 8, 1954

The White House

Washington

THE CABINET

The U.S. Agricultural Surplus Disposal Program in Japan

The attached approved paper embodies the agreement reached in the Cabinet on November 5 (Cabinet RA - 2 of November 8, 1954, item 7.)

This paper is circulated for the information of the Cabinet as a whole and for the action of the agencies concerned. The implementation of the Cabinet decision will go forward under the control of the Secretary of State.

Maxwell M. Rabb
Secretary to the Cabinet

CONFIDENTIAL

DECLASSIFIED
Authority STATE DEPT LTR
Date 5/30/74
By JDH, NARS Date 6/21/74

~~CONFIDENTIAL~~

November 5, 1954

THE CABINET

U. S. AGRICULTURAL SURPLUS DISPOSAL PROGRAM IN JAPAN

The Issue: I. Should the amount of the Public Law 480 program for Japan total $85 million, $100 million, or $120 million?

Opposing Views. (a) Not more than $400 million of the three-year total of $700 million should be committed during this first fiscal year. A Japanese program of $100 million or more will break through this ceiling on a world-wide basis.

(b) Japan is one of the best potential customers and, therefore, should be granted a maximum amount in view of her request for $133 million.

II. Should rice be included in the program for Japan?

Opposing Views. (a) Yes, because there is a U.S. rice surplus.

(b) No, because South Asian non-communist countries also have rice surpluses, wish to sell to Japan, and will buy from Japan her exports.

Recommendation: That agreement be reached for an $85 million program for Japan at this time, at market cost, which may add up to $100 million at CCC cost. This should not prejudice possible additions late in the fiscal year, and does provide an opportunity to move a substantial program now without seriously upsetting other P. L. 480 planning for other countries.

That of this first $85 million program, $15 million be reserved for rice for yen under P. L. 480, and that an endeavor be made to negotiate a program with Japan which would require her to make her usual dollar purchases of rice from the United States and her rice purchases under trade agreements with other friendly countries.

Implementation: The Secretary of State should be controlling in the negotiations, and report back if a solution is not reached on this basis.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

CA - 3

November 18, 1954

THE WHITE HOUSE

Washington

THE CABINET

Cabinet Agenda

10:00 A.M.

Friday, November 19, 1954

1.	Remarks on Government Economy and the Budget	(Oral)	The President
2.	The Decision Concerning Mr. John P. Davies	(Oral)	The Secretary of State
3.	Japanese Trade Negotiations	(Oral)	The Secretary of State
4.	~~Preliminary Discussion to Explore the Position of the Administration on Postal and Civil Service Pay~~	~~(Oral)~~	~~The Vice President and The Chairman, Civil Service Commission~~
5.	Progress Report on the President's "Emergency Fund for Participation in International Affairs"	CI - 6	The Director, United States Information Agency, and Messrs. Washburn and Anderson
6.	Report on the Domestic Economy	(Oral)	The Chairman, Council of Economic Advisers
7.	St. Lawrence Seaway -- Progress Report	(Oral)	The Deputy Secretary of Defense and Mr. Castle
8.	Report of the Cabinet Committee on Minerals Policy (Second Revision) The question of publication	CP - 2/2	The Secretary of the Interior

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
E.O. 12065, Sec. 3-204
MR 79-151 #2
By J.W. Date 10-12-79

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

November 19, 1954
10:00 A. M. - 11:50 A. M.

The following were present:

President Eisenhower

Sec. Dulles, in part, and Mr. Herman Phleger, Legal Adviser
Under Sec. of Treasury Folsom
Deputy Sec. of Defense Anderson
Deputy Attorney General Rogers
Sec. McKay
Asst. Sec of Agriculture Earl Butz
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen, in part, and Dr. Wm. S. Russell, Deputy Director of Technical Services, FOA
Dr. Flemming
Chairman Young
Dr. Arthur Burns

Mr. Theodore Streibert, USIA, in part
Mr. Abbott Washburn, in part
Asst. Sec. Commerce Anderson, in part
Mr. Hal Miller, in part
Mr. Preston Forbes, in part
Adm. Lewis G. Castle, St. Lawrence Seaway Corporation, in part

Gov. Adams
Gen. Persons
Mr. Shanley, in part
Dr. Hauge, in part
Gen. Cutler
Mr. Rabb
Mr. Morgan
Col. Goodpaster

Government Economy and the Budget - The President stated his hope that Cabinet members would utilize the utmost care in establishing their priorities and demands on the budget for the coming year. He realized that some programs needed to be continued at present levels or even expanded, but he felt it necessary for them to find administrative means of economizing so as to finance any necessary new expenditures. He warned that Government revenues would be declining even in the face of an expanding economy, hence the pressure was still greater for preventing budgets from getting away from us.

The President indicated that the Administration would undoubtedly have to attempt to postpone again the scheduled reduction of the corporate income tax and also fight off other tax reduction proposals.

The President noted that Defense usually came under criticism because of its large share of the budget. He warned, however, that the Administration could not expect to pick up very much in the way of savings there, for it would be most unwise to cut back necessary defense functions. He asked that Cabinet members give personal attention to holding the line before submitting their requirements to the Bureau of the Budget.

Employee Security Program.- Sec. Dulles recalled the earlier controversies concerning Mr. John P. Davies which led to the very thorough investigation under this Administration's security risk program, and its culmination in

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DJC NLE, Date 8-5-76

the long hearing before a special board established with particular concern to insure its disinterestedness. Without going into detailed incidents of Mr. Davies' career, Sec. Dulles set forth his conclusion that there could be no basis for disagreement with the unanimous findings of the five-man board to the effect that Mr. Davies' unreliability and evasiveness made him a security risk. Mr. Dulles noted also that the question of publishing the record had been carefully considered but that such could not be done in toto without compromising the work of the Government security agencies involved. He indicated that it would be unfair both to Mr. Davies and the Administration to publish only a part of the record. He emphasized also that the printed record could not adequately portray Mr. Davies' evasive conduct during the hearings.

A comment by Mr. Dulles on the very high standards of Executive Order 10450 and the broad area left to administrative judgment led into a general discussion of administration of the employee security program, during which the President emphasized the need for doing everything possible to be fair to the individuals concerned, even though the Government could not be put in the position of being required to bear the burden of proof of disloyalty and must operate on the basis of security risk. The President cited references in a New York Times editorial of this date to defects in the security order and he suggested that attention be given to the possibility of handling certain cases through transfer to non-sensitive positions. Mr. Young showed him that this was already being done and that in any event individuals had a chance to clear their record by Civil Service review.

The President next suggested that the Administration could not get into the business of expurgating records for the purpose of publication, but he thought it might be possible to set forth specific reasons for dismissing a person for inefficiency, irresponsibility, or such, and backing up those statements with specific instances. He wanted by all means to avoid any appearance of the program operating as a "Star Chamber" court. Mr. Dulles noted the guarantees against "Star Chamber" proceedings in the form of the right of counsel and the opportunity to cross-examine.

Mrs. Hobby noted that there seemed to be certain areas of particular trouble in the handling of these cases and she believed it might be worthwhile to refer cases in such troublesome areas to the Department of Justice for review. Sec. Weeks thought this program another case of the Administration doing the right thing but coming off second best publicity-wise. Mr. Mitchell said "Amen" to this and urged a campaign for public understanding in the very near future to avoid being put on the defensive after Congress convenes. Mrs. Hobby added a reference to the need for doing it in such a way as to get beyond the Washington correspondents. The President thought there might be a presentation by the expert on this subject, using the Presidential press conference as a platform or a nationwide television program or some similar arrangement. Mr. Rogers agreed on the desirability of moving fast to develop public understanding.

Mrs. Hobby then suggested enlisting the aid of some renowned private citizen who could review the program and have his findings received with confidence by the public. Chairman Young noted the recommendation of the American Assembly at Arden House for an outside impartial board to review the entire program. The President suggested that some one like Mr. John W. Davis could add credence to whatever presentation might be made.

Mr. Folsom believed the Administration should first insure full agreement on all aspects of the program, and suggested the existence of a difference

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By JHL NLE, Date 4-5-77

of opinion as to cutting off pensions of individuals dismissed as security risks. The discussion was closed with an injunction from the President to examine this subject and not just to let the situation drift.

Japanese Trade Negotiations - Mr. Phleger, who replaced Mr. Dulles at the end of the preceding item, recounted the progress of the Japanese trade negotiations. He said that Presidential approval had been obtained and public notice had been issued on November 13 for the hearings on specified items, that negotiations would begin at Geneva in February, that some twenty countries had already agreed to participate in these multilateral negotiations. Mr. Weeks was informed, in answer to his query, that the hearings would begin on December 15 and run no longer than December 31.

Mr. Phleger then informed the Cabinet that agreement had been reached with Japan on the P.L. 480 Program as authorized by the Cabinet -- namely, an $85 million program, including $15 million for rice, with an added proviso that Japan would purchase $200 million worth of rice during the coming year to be paid for with dollars instead of yen.

The President expressed his desire that the Agricultural Surplus Act be utilized only in ways which would not damage our overseas interests, and said that he had so instructed the State Department yesterday. He noted an Agriculture Department recommendation for urging Yugoslavia to purchase US tobacco when that country already produced a surplus of tobacco. Mr. Butz with some embarrassment said the recommendation had been quickly withdrawn on learning the facts, and the President then repeated that the program was to be run in such a way as to assure the greatest net good for the United States.

(Messrs. Streibert, Washburn, and Samuel Anderson joined the meeting at this point.)

International Trade Fair and Cultural Relations Program (CI-6) - Before turning to the report, Mr. Streibert described the two operational groups headed by Mr. Anderson of Commerce and Mr. McIlvaine of State, and then reported that the Committee had decided to turn over its responsibilities to the OCB since that group already had a going operation in this matter. The State and Commerce special responsibilities, however, would be continued. The President interrupted to ascertain that Mr. Streibert would continue as Executive Agent and have overall responsibility for the program. He emphasized that he wanted no diffusion of responsibility. Mr. Streibert agreed that there was no change in that respect.

Mr. Streibert noted that none of the State or Commerce overhead was being charged to the $5 million fund.

He then recounted the development of the Cultural Activities part of the program, following which Mr. Anderson made an extensive presentation of the Trade Fair program. Both followed pretty closely the material presented in the Cabinet paper. There was considerable interest in Mr. Anderson's presentation, and the President indicated any priority between the two programs should go to the Trade Fair effort because it was on that basis that he had obtained the additional appropriation from Congress.

The President ascertained the degree of participation by individual firms, such as Allis-Chalmers and the Reynolds Metal Company, and learned that

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By RWC NLE, Date 4-5-77
The Dwight D. Eisenhower Library

it varied from company to company, depending in direct proportion on the possibilities for doing business in particular areas.

Mr. Anderson noted that the Soviet Government had withdrawn from participation in the Bangkok Fairs. He believed that may have resulted from the insignificance of the proposed Russian display as compared to the major US effort.

(Messrs. Streibert, Washburn and Anderson left, and Mr. Castle joined the meeting.)

Economic Situation - Dr. Burns made a brief presentation of the favorable developments in the production, employment, investment, and inventory situations and said that a definite recovery was under way, though still in its early stages. He then cautioned that troubles could develop from a number of situations which could cause the recovery to abort. These included: Normal seasonal unemployment may increase unemployment by February to a level of four million, which could bring on political agitation resulting in business uneasiness which would in turn dampen the recovery. Automobile industry expectations may not be fully realized, serious because of the large share of automobile activity in the present recovery. The agricultural situation continues to be a drag. Housing construction may slack off after mid-1955. Most important, labor is heading for large wage increases in mid-1955, which if too large may have a sharp effect by causing either unemployment or serious inflation. Finally, the stock market appeared to be disturbingly exuberant. He summarized by saying that recovery continuation can be reasonably expected, but that certain problems will perhaps require very great statesmanship for proper handling.

St. Lawrence Seaway - Deputy Secretary Anderson, in his report on development of the St. Lawrence Seaway, noted particularly the Canadian agreement to retain responsibility for the two $15 million items which they had earlier hoped would be reassumed by the United States. The United States, in turn, took on the responsibility for building the canal in the Cornwall-Barnhart section. The Canadians then informed the United States that they would build the Iroquois Point Canal, a matter of some concern because Congress had authorized the United States to build what would be a competing canal at Rockaway Point. Mr. Anderson reported that an understanding was eventually reached that the Canadians would go ahead with their Iroquois Point project, while the United States would not immediately embark on the Rockaway Point project. Mr. Anderson expected that Congress would eventually take advantage of the opportunity of a savings of $18 million by deleting the Rockaway Point authorization.

Mr. Anderson pointed out that a study of estimated traffic had been made but that its foundations were so tenuous that it should not be released since it would be too subject to controversy. The study suggested a volume of traffic sufficiently high to allow the Seaway obligations to be paid off quite readily. Mr. Anderson also called attention to the pressure being exerted for expanding the dimensions of the locks. He said that decision had been reached after open hearings to follow specifically the guidance given in the Seaway Act by constructing locks with the same dimensions as those at the Welland Canal. He cited three reasons for doing this -- namely, conformity with Canadian planning, the existence in any case of a bottle-neck at the Welland Canal, and finally the controversy that would

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 4-5-77

~~CONFIDENTIAL~~

be aroused if the first decision of the Seaway Corporation tended to expand what was authorized by law.

He indicated that the first contract would be let in December, 1954.

(Mr. Castle left the meeting.)

Mineral Policy Report (CP-2/2) - Sec. McKay informed the Cabinet that the report had been reconsidered and slightly revised, and would be submitted to the President later in the day after the necessary signatures were processed. He indicated that the only remaining question was one of timing publication of the document.

Mr. Flemming expressed a hope that there could be some fanfare attached to the issuance of the report since it would obtain a very favorable public reaction.

The President agreed that he was not averse to putting the Administration's best foot forward.

LAM
L. A. Minnich, Jr.

Copies to:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

RA - 3

November 20, 1954

THE WHITE HOUSE

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of November 19, 1954:

Item	Document Number

1. Government Economy and the Budget for FY 1956

ACTION: The President stressed the serious budget picture for the coming year and urgently requested Cabinet members personally to give the utmost attention to the determining of priorities and the amount of funds requested, with a view to effecting all possible economies, assuring that expenditure requests are limited to necessary priority programs and that total expenditures are not permitted to outrun revenues to the extent of inviting inflationary dangers. He also emphasized that expenditure control had to be exercised in non-security as well as security areas.

2. Employee Security Program

ACTION: The Chairman of the Civil Service Commission, in coordination with the Justice Department, is to review certain aspects of this program and report back to the President on means of improving public understanding of the administration of the program. Attention will be given also to possible modifications with regard to transfers and pension rights as they relate to this program.

3. Japanese Trade Negotiations

/_Informational Item._/

4. Preliminary Discussion to Explore the Position of the Administration on Postal and Civil Service Pay

/_Cancelled_/

5. Progress Report on the President's "Emergency Fund for Participation in International Affairs" CI - 6

ACTION: The Cabinet noted the recent action of the Action Committee on International Trade Fairs and Cultural Activities in turning over its responsibilities to the OCB. Mr. Streibert will continue as the Executive

~~CONFIDENTIAL~~

DECLASSIFIED
E.O. 12065, Sec. 3-204
MR 79-151 #1
By J.W. Date 10-12-79

Agent and be responsible for the program as a whole, with State and Commerce as the respective action Departments.

6. Report on the Domestic Economy

/Informational Item./

7. St. Lawrence Seaway -- Progress Report

/Informational Item./

8. Report of the Cabinet Committee on Minerals Policy (Second Revision) CP - 2/2

ACTION: The Secretary of the Interior will arrange for publication at an early date of the revised report of the Cabinet Committee on Minerals Policy.

Maxwell M. Rabb
Secretary to the Cabinet

OFFICIAL USE ONLY

CI - 6

November 16, 1954

THE WHITE HOUSE

Washington, D. C.

THE CABINET

Progress Report on the President's "Emergency Fund for Participation in International Affairs"

For information of Cabinet Members attached is the first report on the status of operations and plans under the President's Emergency Fund for Participation in International Affairs. (The report is preceded by a two page summary.) Based on this document and on Cabinet discussion, a revised report will be drafted by the end of this month for submission to the Congress, as called for in the Supplemental Appropriation Act of August 26, 1954 (Public Law 663, 83rd Congress) which established this Fund.

This report has been submitted by the Director of the U. S. Information Agency, which serves as the Executive Agent for the program. The Departments of State and Commerce are the respective action agencies, and have participated in the preparation of this report.

The Emergency Fund and its objectives were discussed at the Cabinet meeting of August 16, 1954. An oral exposition by the Director of the U. S. Information Agency of the subject matter of this report is planned for the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR INFORMATION

OFFICIAL USE ONLY

FOR OFFICIAL USE ONLY

SUMMARY

The President's Emergency Fund for Participation in International Affairs - a $5 million fund - was created last August to stimulate exhibition abroad by private firms or groups of the best this nation has to offer in industrial production and cultural achievement. These exhibitions are to demonstrate the dedication of United States industry and cultural groups to peace and human well being.

The President's Fund is to serve as "seed money" to encourage American industry's participation in international trade fairs, reinforcing this country's prestige and stimulating production and employment. And it is to support an expanded program of performances overseas by outstanding American musicians, actors, dancers and sports figures.

The Department of Commerce is the action agency for trade fairs. The Department of State is the action agency for cultural activities.

The Director of the U. S. Information Agency serves as Executive Agent for the program. One of his duties is to see that each time the United States is represented abroad, the representation refutes as directly as possible the Soviet anti-American propaganda line and reinforces the foreign policy of the United States.

The first trade fair in the President's Fund program will be the Bangkok Constitution Fair December 7 through 16. More than a hundred American firms and the United States Government will be represented at Bangkok in displays typifying the theme, "Fruits of Freedom". Included will be a "see yourself on TV" exhibit, "Cinerama", industrial equipment, island exhibits of latest model automobiles and agricultural equipment, and a United States Army exhibit dispensing free American made ice cream.

Eight additional international fairs, extending through the late winter and spring, will enable some 12 to 15 million people to see American industrial products. These include: the Pakistan International Industries Fair (at Karachi), the Frankfort International Spring Fair, International Sample Fair (at Milan), Lyons International Trade Fair, Brussels International Trade Fair, Paris International Trade Fair, Japan International Trade Fair (in Tokyo) and the ~~Utrecht~~ Barcelona International Fair.

Additional fairs in the summer, fall and early winter of next year, bring to 30 the total number of fairs in which the U. S. will participate.

Overseas tours by several groups of American artists will be undertaken with the support of the President's Fund. These include:

1. Extension of tours into additional areas for American cultural performers who will appear at next spring's Paris Festival. The Philadelphia Orchestra, The New York City Ballet, the musical "Oklahoma", and a variety show including top American entertainers are among the groups;

2. A South American tour for the Jose Limon Dance Troupe, putting the Troupe in Montevideo during the current UNESCO Conference and in Rio de Janeiro during the Inter-American Economic and Social Conference;

3. Appearances in at least two additional cities (Belgrade and Zagreb) of "Porgy and Bess";

4. Several appearances of the inter-racial Metropolitan Choir of Los Angeles;

5. A tour of Latin America by the Ballet Theatre next spring.

Negotiations are under way to secure overseas appearances by a number of other distinguished cultural performers. Among them: The Martha Graham Dance Troupe, the Howard University Choir, Symphony of the Air (formerly NBC Symphony), Rogers and Hammerstein Repertory Company, New York City Opera, Katharine Cornell and a Theatre Guild Repertory Company.

A total of $405,000 of the President's Fund has been allocated as of November 15. Up to October 31, $136,452 had been obligated. Now that preliminary stages of the program are completed, obligation of funds is expected to accelerate rapidly.

TABLE OF CONTENTS

I. WHY FUND WAS SET UP.

II. HOW FUND IS ADMINISTERED.

III. STATUS OF THE TRADE FAIR PROGRAM.

IV. STATUS OF THE CULTURAL PROGRAM.

V. STATUS OF FUNDS.

VI. APPENDICES.

FIRST QUARTERLY REPORT ON OPERATIONS OF PRESIDENT'S "EMERGENCY FUND FOR PARTICIPATION IN INTERNATIONAL AFFAIRS"

I. WHY THE FUND WAS SET UP

The President requested from Congress in August of this year a $5,000,000 emergency fund "to meet extraordinary or unusual circumstances arising in the international affairs of the Government". This fund was appropriated by the 83rd Congress in the Supplemental Appropriation Act of August 26, 1954.

The President directed that the money be used as "seed money" to stimulate participation by U. S. industry in international trade fairs and expositions and to promote the presentation overseas of American cultural groups of high character. These activities, he specified, would show graphically the accomplishments of free enterprise in a free nation and would dramatize this country's dedication to peace, comfort and human progress.

The U.S.S.R. has spent heavily in recent years to exhibit lavish samples of its industrial output at trade fairs, especially in Asia and Europe. At the same time, the Soviets have made a strong bid for cultural eminence by presenting Russian theatrical performers of many types throughout Europe and Asia.

The Soviet exhibits -- costly, well planned and housed in beautifully designed structures -- are pointed to as proof of their propaganda theme that the U.S.S.R. is producing on a large scale for peace while the U. S. is producing primarily for war. Similarly, the Soviet cultural offensive aims to imply America's poverty of spirit.

Expanded world trade resulting from U. S. participation in international trade fairs will also have the effect of stimulating American business and employment. Exports presently maintain approximately 4 million jobs. The new extra sales effort at world fairs will strengthen current job security and open new job opportunities. American firms, exhibiting abroad, will be ambassadors of good will for the United States.

II. HOW THE FUND IS ADMINISTERED

The President appointed a Cabinet level Special Action Group to determine policies on use of the fund. He named the Secretary of State as chairman, the Director of the Bureau of the Budget as adviser, and the Director of the U. S. Information Agency as executive agent. Members of the Action Group are: The Department of State, the Department of Commerce, the U. S. Information Agency, the Foreign Operations Administration, the Department of Labor and the Department of Health, Education and Welfare.

The Director of the U. S. Information Agency was instructed by the President to provide general management and coordination, to approve projects, to allocate money for them after adequate review and approval, and to provide fiscal and progress reporting.

The Trade Fair projects are sponsored and managed by the Department of Commerce with the advice of an inter-agency committee headed by Samuel W. Anderson, Assistant Secretary of Commerce for International Affairs. Cultural Group projects are sponsored and managed by the Department of State, also with the advice of an inter-agency committee, which is headed by Robinson McIlvaine, Deputy Assistant Secretary of State for Public Affairs. The inter-agency committees, which are composed of representatives of the agencies on the Special Action Group, plus representatives of the Operations Coordinating Board, establish operating policies, develop priorities and recommended action on specific project proposals.

The Department of Commerce and the Department of State do preliminary planning for each project. The U. S. Information Agency, with emphasis on the ideas of its overseas staff, works with the two departments during the developmental stage of the projects to insure their psychological impact and to handle their exploitation and publicity overseas

Individual projects are developed with private industry and private cultural groups. After specific projects are approved, the Department of Commerce (for trade fairs) and the Department of State (for cultural activities) give effect to the plans, arrange for overseas transportation and assure that the projects are put into operation overseas. The U. S. Ambassador, who is responsible for the conduct of all government activities in each foreign country, is asked to designate an Embassy officer to provide over-all direction of each project.

III. STATUS OF THE TRADE FAIR PROGRAM

The plan to have this country represented at some 30 trade fairs in Europe, the Near and Far East and Latin America within the next 12 months is well under way. At the major fairs, the exhibits will carry out the central theme of progress in a free economy. Individual showings of products will contribute to that theme. At lesser fairs, the plan is to work out a display that will, insofar as possible, provide a nucleus for the individual exhibitors.

The inter-agency committee has approved a preliminary schedule of eight major fairs, running through next June. In addition, under consideration are fall and winter fairs at Stockholm, Izmir, Cologne, Tunis, Salonika, Marseilles, Rangoon, Berlin and Djakarta.

Industry is cooperating in the loan of products and equipment, for use in government exhibits. U. S. products available in the host country are used as much as possible to save transportation costs.

LATIN-AMERICAN TRADE FAIR WORKING GROUP

The Chairman of the Inter-agency Committee has established a Latin-American Trade Fair Working Group, composed of members nominated by USIA, State, Commerce and other interested agencies, to make recommendations on a Trade Fair program for Latin-America.

AREAS OF GREATEST IMMEDIATE NEED

The program is being emphasized where there is the greatest immediate need of U. S. representation, both from trade potential and the necessity of correcting communist misrepresentation about American production. The U. S. exhibits will typify the modern spirit of American production for better living in a world at peace.

The Bangkok Fair

The Bangkok Constitution Fair, will be held December 7 through 16 with the theme, "Fruits of Freedom." 62,000 square feet of space has been allotted free of charge to the U. S. by the Government of Thailand.

"Cinerama", which created a sensation at the Damascus Fair and drew fair spectators away from the Russian display, will be a feature at Bangkok. Exhibits will represent a cross-section of U. S. production, including home and road building, automobiles, medicine, livestock treatment, tobacco, radio and air conditioning, office supplies, industrial equipment. In addition there will be American fireworks(highly recommended by Thai consultants), free ice cream dispensed from machines supplied by the Army, a "see yourself on TV" exhibit, and a HI-FI demonstration.

The Bangkok Fair presents an excellent opportunity to express American regard for a staunchly friendly nation. The fair commemorates the 22nd anniversary of Thailand's adoption of a constitutional form of government replacing the former absolute monarchy. The U. S. will present gifts to the Royal Family, following custom. An American vibraharp is the U.S. gift to King Phupipol Aduldej, the Thai sovereign who was on the throne when the constitution was adopted.

The exhibit will be housed in a two-level pavilion. It will include industrial exhibits, a style show, "Cinerama", and island exhibits of automobiles and agricultural machinery. This pavilion, with modifications, will be used for other exhibits in the Far East.

More than 100 firms will have exhibits at Bangkok. (For list of firms to be represented, see Appendix No. 1 A and B.)

A business consultation mission, to give both American and foreign buyers and sellers assistance in doing business, will also be a feature at Bangkok.

SPRING FAIRS APPROVED

In addition to the Bangkok Fair, the United States plans to participate, along with private firms, at the following fairs:

Karachi - Pakistan International Industries Fair, 37 days, March 5 to April 10. Manufactures and products of all kinds. Approximate attendance, 1.8 million.

Frankfort International Spring Fair, 5 days, March 6 to 10. Manufactures and products of all kinds, including foods and beverages, lighting, radios, television, furs, office machinery. Approximate attendnace, 200,000.

Milan - International Sample Fair, 17 days, April 12 to 28. Exhibits of commercial nature. Approximate attendance, 4 1/2 million.

Lyons International Trade Fair, 11 days, April 24, to May 3. Next to Paris, the most important French Fair. Organized on community basis, aims to attract foreign buyers. Approximate attendance, 1 million.

Brussels International Trade Fair, 16 days, April 21 to May 9. A major international trade fair of traditional type. Heavy emphasis on consumer goods. Approximate attendance, 1,100,000.

Paris International Trade Fair, 17 days, May 14 to 30. Over 100 product sections, strong on industrial machinery, consumer goods, plastics, toys. Strong buyer attendance. Approximate attendance, 3,600,000.

Tokyo - Japan International Trade Fair, 14 days May 5 to 18. Will be first year for this fair. Textiles, machinery, chemicals, agriculture products, fisheries, sundry goods, tourism. Heavy attendance anticipated

Barcelona International Samples Fair, 20 days, June 1 to 20. Most important Spanish and leading Mediterranean Fair. Strong national and foreign public and buyer attendance. Approximate attendance 1,600,000.

PRIVATE INDUSTRY PARTICIPATION

The fact that over 100 American firms will be represented at the Bangkok Fair, as compared with 20 who exhibited last year, bodes well for greater private industry cooperation in other fairs to follow. The Department of Commerce is surveying business to determine the extent of additional industry cooperation. Personal letters from the Cabinet and White House level to industrial leaders will help attract U. S. exhibits.

Wider interest by the business community is expected to develop as the program is better understood. With this in mind, a public relations committee is being created to publicize individual projects of the program. A four-page brochure outlining the Trade Fair program has received world-wide distribution.

A number of suggestions for possible exhibits have been made. For example it has been recommended that a producer of strip steel team up with an automotive or railroad equipment manufacturer to show how their ultra-modern cars and trains are produced. Already the aluminum industry is demonstrating the use of that metal through a display by one firm.

Other proposals include ideas on how tinplate producers and canners could demonstrate how America cans food. Steel producers could join with plate glass and other manufacturers of building products to show how American homes and factories are made comfortable and convenient. This same cooperative idea could be expanded throughout American industry through the national trade and industry associations. Consideration is also being given to inviting American labor, agricultural, medical and other groups to have displays exemplifying progress in these fields.

POLICIES GUIDING THE TRADE FAIR PROGRAM

Taking the Presidential mandate that this program is to dramatize American industry's dedication to production for peace, comfort and human progress, the following criteria have been established.

1. Priority should be given to fairs in those areas where communist influence is adversely affecting American prestige and trade potential.

2. In consultation with the Department of State and the U. S. Information Agency and their field offices abroad, the Department of Commerce will develop a central theme for each fair. This theme will be tailored to U. S. policy and information objectives in the specific area.

3. Under the concept that the Government's contribution to the cost of this program is to be considered "seed money", private industry is being urged to contribute individual exhibits, keying contributions to the central fair theme.

SPECIAL ACTION PROGRAM

To meet the exigencies of the program the Department of Commerce has instituted the following actions:

1. Establishing an information center in the International Trade Fair Division.

2. Creating a master exhibit nucleus to be constructed for and jointly sponsored by Government and industry.

3. Maintaining U. S. business consultation booths at selected fairs.

4. Coordinating contacts between U. S. marketing specialists, business men and industry groups with their opposite numbers abroad.

5. Arranging for U. S. trade promotion and marketing specialists to assist both U. S. and foreign groups and individual business men.

6. Recruiting outstanding fair managers and trade fair personnel from private industry.

7. A Trade Fair Business Advisory Group has been appointed to which additional specialists will be added. (See Appendix 2)

IV. STATUS OF THE CULTURAL PROGRAM

In line with the basic policy accepted by the Inter-Agency Committee to conduct the program through private channels as much as possible, the American National Theatre and Academy, (ANTA), a non-profit organization chartered by Congress, was selected as agent for the Department of State to work directly with persons in the theatre, music and other artistic fields in the United States and abroad. An administrative fee of $25,000, to cover the first part of the contract, was allotted to ANTA. Mr. Robert Dowling, Chairman of the Board of ANTA, agreed to serve as chairman of the program and appointed a general manager and a staff to assist him.

One of the first actions of ANTA as a contract agency was to appoint panels of music, drama and dance authorities. These specialized panels were established to advise ANTA on the artistic merit of individuals and cultural groups being considered for participation in the program.

Many suggestions for projects to be included in the program were received in answer to a cable sent to all Foreign Service posts, asking for recommendations for specific cultural activities that would be appropriate in each area.

PROJECTS APPROVED BY INTER-AGENCY COMMITTEE

Paris Festival -- Backstopping and Extension of Tours - The French Government's invitation to present representative American artists at the Paris Festival next June had been accepted and plans to engage some of the nation's best talent were well under way when the President's Fund was established.

In view of the importance of this exposition and to assure American participation, the Inter-Agency Committee agreed to underwrite a limited amount of losses, if any occur in producing the Festival performances.

Money from the President's Fund will be used to extend tours into other parts of Europe and into the Near East and Middle East Areas not normally considered by some of the American artists who will appear at the Festival. Among the touring attractions planned are the Philadelphia Orchestra, the New York City Ballet, the musical "Oklahoma", a Producers' Theatre Repertory group featuring outstanding American plays, and a variety show including top American entertainers.

Jose Limon Troupe - The Inter-Agency Committee approved a tour to South American cities by the Jose Limon Troupe, one of the top American modern dance companies. The Limon tour was planned specifically to coincide with the UNESCO conference in Montevideo and the Fourth Extraordinary Meeting of the Inter-American Economic and Social Council in Rio de Janeiro. The UNESCO conference, particularly, represents an excellent opportunity for representatives of many countries to see the performance of this group. The Troupe will also perform in Sao Paulo and Buenos Aires.

Metropolitan Choir of Los Angeles - Bookings are now being made for this inter-racial choir made up of 25 persons of Chinese, Japanese, Mexican, Negro and Caucasian-American background to tour South Asian countries.

Porgy and Bess - The "Porgy and Bess" company, which is now performing in Western Europe, has received wide acclaim wherever it has appeared. It is the group most often requested by Foreign Service posts.

The Inter-Agency Committee approved a maximum of $50,000 to make possible the appearance of "Porgy and Bess" in Belgrade and Zagreb. There is also possibility of securing a later Mediterranean tour by this company.

Ballet Theatre - The Inter-Agency Committee approved an allotment of $50,000 to assist Ballet Theatre to tour Latin America beginning in May.

PROJECTS UNDER CONSIDERATION

Negotiations are under way to secure overseas appearances by the following groups:

1. New York Philharmonic Orchestra - If the orchestra is invited to participate in the Edinburgh Festival, the President's Fund may be used to encourage a tour to other European cities.

2. Symphony of the Air: - (formerly NBC Symphony Orchestra). Plans are being made to underwrite a South American tour of the orchestra.

3. Rogers and Hammerstein Repertory Company - Mr. Rogers is being urged to form a Rogers and Hammerstein Repertory Company which would be sent on a world tour.

4. Katharine Cornell - Guthrie McClintic Productions - This company is planning a South American tour next summer.

5. Martha Graham Troupe - This group has under consideration a tour to the Orient.

6. Gilbert Miller Repertory Company - Discussions are being held with Gilbert Miller regarding the formation of a repertory company which would present outstanding American dramatic productions in suitable areas.

7. Howard University Choir - These topflight Negro singers could secure bookings abroad but would require transportation.

8. Theatre Guild Repertory Company - Discussions are being held with Theatre Guild about forming a repertory company built around the Lunts which would tour in Europe or South America.

9. American Shakespearean Festival Theatre - ANTA is working closely with the formation of this company, with the thought that its performances abroad would have wide appeal.

10. National Music League - This is an organization which selects and sponsors young, up and coming American musicians who are interested in an exchange program with similar groups in other countries. The President's Fund could assist these American artists to appear in parts of the world not usually covered by standard concert tours.

11. New York City Opera - Consideration is being given to a tour of the New York City Opera to suitable countries.

12. Modern American Opera Company - Discussions have been held with Mr. Chandler Cowles who is associated with the Menotti operas, regarding the formation of a Modern American Opera Company which would tour suitable areas.

POLICIES GUIDING THE CULTURAL PROGRAM

Arrangements for the cultural projects mentioned above, and for those to come later, have been made under the guidance of the following basic principles, approved by the Inter-Agency Committee on September 16, 1954:

1. Priority will be given to professional and amateur presentations of dramatic productions, musical comedies, operas, ballet productions, concert groups and individual singers, dancers and concert artists, and sports groups.

2. Financial assistance will be given only to performance abroad by American individuals or groups that are generally recognized to be of the highest distinction in their fields.

3. Insofar as possible, the selection of individuals and groups to be assisted should be determined in consultation with groups of private citizens who are generally recognized by the public as authoritative in the appropriate field.

4. Funds will be requested principally for performances through normal commercial channels to regular paying audiences by providing, for example, international transportation or insuring the performers against potential losses due to currency restrictions in non-dollar areas.

5. In line with the wording of the Act, only projects of urgency in priority fields and areas, as indicated by comments, reports or requests from overseas posts, will be considered for support.

6. To the maximum extent possible, all details should be conducted through private channels. Similarly, all domestic aspects of the program should be handled by private, non-profit organizations under contract to the Department of State.

V. STATUS OF FUNDS

DISTRIBUTION OF FUNDS	Allocated (November 15)	Obligated (October 31)
A. DEPARTMENT OF COMMERCE		
1. Program Direction and Development	$30,000	$3,493
2. Participation in Bangkok Fair	250,000	107,911
Sub-Total	280,000	111,404
B. DEPARTMENT OF STATE		
1. Program Direction and Development	10,000	48
2. Participation in Paris Cultural Festival	40,000	--
3. Contract with American National Theatre and Academy to Secure Individuals and Groups for Overseas Cultural Activities	75,000	25,000
Sub-Total	125,000	25,048
TOTAL FUNDS ALLOCATED	405,000	136,452

Tentative distribution of $5,000,000 is made as follows: (1) Commerce Department (for trade fairs and exhibits) $2,250,000; (2) Department of State, (for cultural activities) $2,250,000; and (3) U. S. Information Agency, (for special purposes) $500,000.

VI. APPENDICES

APPENDIX 1

A. Among U. S. Industrial exhibits at Bangkok will be:

- RCA exhibit, including TV equipment for televising at U. S. exhibit.
- Ratheon radar equipment.
- General Motors bouncing-ball demonstration.
- Lionel toy train exhibit.
- American Machinery and Foundry Company, shop saws.
- American Optical Company panel with models.
- General Motors, Chevrolet Corvette.
- Ford Motor Company, Green Thunderbird.
- Barker Green Overseas Corporation, six models of road building equipment.
- Scott Paper exhibit.
- Pfeiger Company antiobiotics exhibit with films on livestock treatment.
- Goodyear Tire and Rubber Company, large flags for decorating purposes.
- Reynolds Tobacco Company exhibit.
- Kleenex animated exhibit.
- Parker Pen exhibit.
- Philco radio and air conditioner.
- Royal Typewriter products.
- Reynolds Metal Company exhibit on development of aluminum.

B. Local representatives of these American firms will have displays:

- Allis-Chalmers
- American International Assurance Co.
- Ampro Corporation
- Armstrong Rubber Co.
- Atlas Press Co.
- Bank of America
- Barnes-Granger
- Bauer and Black
- Bendix International
- Borden Company
- Bucyrus-Erie
- Caltex Oil Co.
- Caterpillar
- Chrysler Airtemp Corp.
- Chrysler Motors (Chrysler, Dodge, DeSoto Divisions)
- Colgate-Palmolive-Peet
- Crosley Corporation
- Deep Freeze
- Dewalt Inc.,
- Devoe Paint Co.
- E. I. Dupont
- Ecko Products
- Euclid Machinery
- Evinrude Outboard Motors
- Firestone Tire & Rubber Co.
- Ford Motor Corp.
- Formica
- Frigidaire
- Freuhauf Truck Co.
- General Foods
- General Motors (Chevrolet, Buick, Cadillac Divisions)
- General Motors (Pontiac)
- General Tire
- Getz Brothers
- Goodyear Rubber Co.
- Green Spot Co.
- Harley-Davidson
- Hotpoint
- Hyster
- International Cellucotton Co.
- International Harvester
- Isbrandtson
- Isthmian Steamship Lines

Kaiser-Fraser
Lambert Co.
Lee Tires Co.
Libbey-Owens-Ford Glass Co.
Liggett-Myers
McKesson-Robbins Drug Co.
Mack Trucks
Master Lock Co.
Nash Motors
National Cash Register
New York Times
Nicholson Files Co.
Owen-Illinois Glass Co.
Packard Motors
Pan American Airways
Parker Pen Co.
Pennsylvania Rubber Co.
Phillips Morris Tobacco Co.
Pittsburgh Plate Glass Co.
Pullman Co.
Quaker Oats Co.
Radio Corporation of America
Ray-O-Vac
Reo Motors
Republic Steel
Revere Camera
Royal Typewriter Co.
Simmons Co.
South Bend Lathe Works.
A. G. Spaulding Co.
Standard Vacuum Oil Co.
Studebaker Motor Corp.
Sun Oil Co.
Sylvania Electric
Taylor Instruments
Time Inc.,
Timken Roller Bearing Corp.
Waterman Pen Co.
Westinghouse Electric Corp.
T. C. Wheaton Co.
Willys-Overland Motor Car Co.
Wilson Sporting Goods
Worthington Pump Co.
Zenith Radio Corp.

APPENDIX 2

TRADE FAIR BUSINESS ADVISORY GROUP
PRELIMINARY LIST

Mr. Eugene, Executive Vice President	America Road Builders Association
Mr. Burton F. Miller, Managing Director Contractors' Div.	
Mr. Harry E. Conrad, Executive Secretary	The American Society of Tool Engineers
Mr. Edward Littlejohn, Assoc. Dir. of Public Relations	Burroughs Corporation
Mr. J. Q. McDonald, Export Manager	Caterpillar Tractor Co.
Mr. Carlos M. Toro	U. S. Chamber of Commerce
Mr. Harold F. Hess, Executive Vice President	Construction Industries Manufacturers Assoc.
Mr. W. R. Swint, Director, Foreign Relations Dept.	E. I. duPont de Memours & Company
Mr. George M. Parker, Executive Vice President	Esso Export Corp.
Mr. Lee R. Jackson, President	Firestone Tire & Rubber Co.
Mr. Warren T. Lutz, Staff Manager, N.Y. Overseas Operations	General Motors Corp. (New York)
Mr. W. J. Mougey, Manager, Washington Office	
Mr. Peter Grace, President	W. R. Grace Company
Mr. John D.J. Moore, Vice President	
Mr. Thomas R. Kirkland, Vice President, International Business	
Mr. L. K. Neidlinger, Executive Dir.	International Chamber of Commerce
Mr. W. R. Herod, President	International General Electric Co.
Mr. George H. Kendall, Manager, Advertising & Publicity Dept.	
Mr. E. M. Ryan, Vice President, Foreign Operations	International Harvester Co.
Mr. J. L. Camp, Director General, Foreign Operations	

Mr. Robert O. Swain, Executive Director	International Road Federation
Mr. W. E. Knox, President	International Westinghouse Elec.
Mr. John Deacon, Manager, Foreign Trade Promotional Activities	
Mr. Hans A. Klagsbrunn, Attorney Wash. Representative for Olin Mathieson Corp.	
Mr. Kenneth Clark, Vice President	Motion Picture Assoc.
Mr. Read P. Dunn, Foreign Trade Director	National Cotton Council
Mr. H. W. Prentis, Jr., Board of Directors	National Association of Manufacturers
Mr. Arvid Frank, Director, International Relations Department	
Mr. Nathaniel Rogg, Economist	National Association of Home Builders
Mr. William S. Swingle, President	National Foreign Trade Council, Inc.
Miss C. L. Meyer, Secretary	Office Equipment Manuf. Institute
Mr. M. N. Rand, Vice President & General Manager Internat'l. Div.	Remington Rand Inc.
Mr. J. W. Erler, In Charge, Foreign Buying	Sears Roebuck & Co.
Mr. Joseph Pope, Senior Vice President	Stone & Webster Engineering Corp.
Mr. M. B. Garber, Sales Manager	Thew Shovel Company

CP - 2/2

November 16, 1954

THE WHITE HOUSE

Washington

THE CABINET

Report of the Cabinet Committee on Minerals Policy (Second Revision)

The attached approved paper is circulated for the information of Cabinet Members and for action by the appropriate Departments on the approved recommendations as follows:

Recommendations 1 and 3: The Director of the Office of Defense Mobilization

Recommendation 4: The Secretary of the Treasury

Recommendations 2, and 5 - 11: The Secretary of the Interior

Pursuant to the President's action on this paper (Cabinet RA-2 of November 8, 1954, Item 3), substantive revisions have been made on page 2 of the Transmittal Letter and on page 4 of the Policy Statement. These revisions have the concurrence of the Members of the Cabinet Committee. Additional minor editorial changes have also been made.

At its coming meeting, the Cabinet will advise the President concerning the publication of the Letter and the Statement, as they now stand.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR ACTION

THE SECRETARY OF THE INTERIOR
WASHINGTON

November 5, 1954

Dear Mr. President:

We have the honor to transmit to you the attached report which embodies the recommendations of the Cabinet Committee named by you on October 26, 1953, to inquire into national policies affecting the production and utilization of metals and minerals.

You will recall that the basic proposals of the Committee were discussed with you and members of the Cabinet during the month of March of this year.

The Committee's recommendation that the strategic stockpile be expanded in the interest of national security was put into effect by your announcement of March 26, 1954. We are gratified by the general approval which this policy has received at home and abroad.

In your letter requesting us to undertake this assignment, you referred to depressed conditions in segments of the mining industry and specifically to the situation of the lead and zinc producers. The Committee, therefore, gave particular attention to this problem as a representative test case.

When long-term stockpile objectives were established for these commodities, it was evident that additional purchases were necessary. It was obvious, also, that some steps had to be taken to maintain domestic production at a reasonable level.

The very announcement of the new stockpile policy gave a firmness to the lead and zinc markets. When a purchase program was inaugurated under this new policy, the market prices of both commodities rose substantially. The price for lead is now approximately 20% above the low point of February, 1954, and for zinc approximately 24% higher.

These increased prices should assist substantially in maintaining the domestic component of the mobilization base.

You will note, however, that our recommendations provide for a periodic review of these two commodities, as well as others, and should the program now in effect prove inadequate other measures will be promptly recommended.

As an essential concomitant of the new long-term stockpile policy, the Committee recommends the preparation of studies on a case-by-case basis, to determine the proper levels of domestic mineral production for each mineral commodity on which to base mobilization plans. These studies are being made by the Department of the Interior in line with the Committee's recommendation that the Office of Defense Mobilization delegate to that Department certain responsibilities for detailed mobilization planning for the production of metals and minerals. The terms of the proposed delegation have been substantially worked out, and it is contemplated that the actual delegation of authority will take place in the near future.

Your Committee makes a series of seven recommendations designed to encourage an orderly but vigorous development of domestic mineral resources.

The first of these calls for elimination from the tax structure of as many deterrents to the discovery and production of minerals as possible without impairing the fairness and adequacy of the tax system.

Considerable progress has been made, in the Internal Revenue Code of 1954, in removing deterrents to the general economic growth. The minerals industries, as other industries, will benefit from these changes.

Another recommendation proposes the strengthening and continuation of the program of the Defense Minerals Exploration Administration. Action by ODM has given substantial effect to this recommendation.

Other recommendations advocate the reinforcing and broadening of the factfinding, exploration and research activities of the Department of the Interior. As you know, management surveys by outstanding independent citizens have been made of the Geological Survey and the Bureau of Mines, and the recommendations are already being implemented. Reorganizations of these two agencies along the lines recommended by the surveys will increase the effectiveness of the Department of the Interior in these fields. Additional funds may be needed, however, fully to implement these recommendations of the Cabinet Committee.

The past six months have, we believe, provided sufficient time and experience to test some of the recommendations of the Committee. We believe that the progress that has been made towards their full implementation has been excellent. We are confident that continued progress will be made.

The members of the Committee would like to extend their thanks to the Assistant Secretaries who served as alternates and to staff members of each of the agencies of the Committee who contributed significantly to the conclusions and recommendations of the report.

The Secretary of the Treasury and the Director of the Bureau of the Budget, as consultants to the Committee were most helpful and cooperative.

A copy of our policy statement is enclosed.

Very sincerely yours,

Secretary of the Interior, Chairman

Secretary of State

Secretary of Commerce

Director, Office of Defense Mobilization

The President

The White House

Introduction

The President, by letter of October 26, 1953, appointed us as a Committee to study the problems relating to the production and utilization of metals and minerals and to make recommendations for national policies in this field.

The guidelines of our work as laid down in this letter were:

1. To make sure that we have available mineral raw materials to meet any contingency during the uncertain years ahead.

2. To make sure that we can meet the ever-growing mineral requirements of an expanding economy.

3. To preserve the added economic strength represented by recent expansion of facilities by the domestic mining industry, through policies that would be consistent with our other national and international policies.

It was suggested, also, that the prudent use and development of domestic mineral resources and assured access to necessary sources abroad are indispensable to the operation of an active economy and a sound defense.

In response to these instructions, the members of the Committee have examined existing policies affecting the production and utilization of minerals. We have reviewed the various acts of Congress and programs pursuant thereto as well as the relevant statements that the President has made from time to time on domestic and foreign economic policy. We have drawn freely upon the many studies made in this and related fields and upon the knowledge and experience of Federal agencies concerned with minerals.

Overriding in importance in any consideration of policies relating to mineral production and utilization is the security of the Nation. The lack of available metals and minerals has in the past proved to be a weak link in American security. The members of the Committee have, therefore, examined with care the existing status and progress of mobilization planning and the stockpile of strategic minerals, and have developed recommendations designed to strengthen this aspect of our defense.

We recognize also that the domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort and propose ways and means of maintaining or achieving proper levels of efficient domestic production required as an adequate component of the mobilization base.

Finally, the Committee offers a number of recommendations which it believes will foster a full and orderly program for the development and conservation of our national resources.

The recommendations of the Committee do not attempt to deal with specific commodities. The Committee reached an early finding that courses of action must be tailored to meet mineral commodity problems upon a case-by-case basis. The unequal geographical distribution of mineral deposits, the widely varying factors affecting the exploration and development of ore bodies, and the political and economic complexities surrounding their production, utilization, and flow in trade combine to make generalizations exceedingly difficult. We believe, however, that the guidelines laid down by the Committee will prove helpful in the working out of day-to-day problems and flexible enough to meet changing national and international conditions.

I THE PROBLEM OF SECURITY

A. THE STRATEGIC STOCKPILE

Twice within the last 15 years, the United States has been drawn into international conflicts with almost no stockpile of strategic and critical materials. The absence of an adequate stockpile required the Nation in 1942-44 and again in 1950-52, to undertake costly and disruptive expansion programs to obtain materials which a stockpile, accumulated in advance, could have supplied. It was necessary at a most difficult time to divert scarce machinery and equipment, manpower, and military forces to obtain these materials.

The Committee believes that these tragic experiences point up the need for an adequate stockpile of strategic and critical materials to meet the tremendous surges of demand that come with war.

To the degree that minerals are stockpiled within the United States prior to the start of a war, there will be less need, or no need at all, for forced-draft wartime expansion of raw materials production involving unreasonable increases in prices or substantial Government investment. Likewise, there will be less need for stringent wartime allocations, ceiling prices, and limitation orders on raw materials. In addition, stockpiling can greatly reduce the need for diversion of naval, air, and military efforts to the secondary task of protecting overseas sources of materials and supply lanes when they should be employed in the primary task of fighting the war2

Minimum Objectives

Stockpiling of strategic and critical materials was authorized by the Act of June 7, 1939, as amended by the Act of July 23, 1946. Acquisitions pursuant to these acts have for the most part been based upon "minimum" objectives, intended to make up for anticipated loss of, or serious interference with, foreign sources of strategic materials in a five-year war period. In general, estimates were made of the wartime requirements (consisting of military, AEC, industrial, essential civilian, and essential exports) and estimates were also made of the supplies expected to be available in wartime from domestic production and from strategically accessible foreign sources. Safety factors made some provision for estimated shipping losses, political instability in foreign countries, and the danger of relying on concentrated sources. Where anticipated wartime supplies for a commodity did not meet projected requirements, the indicated deficit was generally established as the stockpile objective. These "minimum" objectives, however, still assumed substantial wartime imports, as well as stringent conservation measures.

As of June 30, 1954, minimum stockpile objectives for all materials were valued at approximately $7.0 billion and approximately $4.3 billion worth of materials were physically on hand. A total of 75 materials are being stockpiled and of these 55 are metals and minerals. Dollarwise, about 80% are metals and minerals. It is Government policy to acquire these minimum objectives as rapidly as possible. When an objective is largely on hand, the Government gradually reduces the rate of procurement to withdraw from the market with a minimum unsettling effect.

Under the Defense Production Act commitments of over $6 billion have been made to expand supplies of materials to meet defense purposes including stockpiling. Accelerated tax amortization is also used where appropriate. Assisted materials expansion is preferably located within the United States, or alternatively, in strategically accessible foreign sources.

Long-Term Objectives

1. The Committee recommends a complete review of all stockpile objectives for metals and minerals and the establishment of new long-term objectives that will assure, over a period of time, the acquisition of adequate stocks of strategic and critical minerals, and thereby reduce and where possible eliminate foreseeable wartime shortages.

Long-term objectives are calculated further to reduce dangerous and costly dependence on sources of materials outside of the United States and accessible areas as defined by the National Security Council as well as to eliminate in wartime production programs the necessity for conservation measures so stringent as to jeopardize essential war-supporting activities.

In calculating these "long-term" stockpile objectives, particular attention must be given to the large bulk items which in wartime would require great tonnages of ocean shipping. In addition, the possibilities of destruction of key metal and mineral producing facilities in the U.S.A. and in strategically accessible sources must be assessed in view of the development of atomic weapons, and appropriate provision made for additional stockpiling where required.

Policies now in effect covering acquisition of materials to meet minimum stockpile objectives should be continued, but acquisition of materials to meet the increment between minimum and "long-term" objectives should go forward under limitations hereinafter stated.

Acquisitions beyond the existing minimum stockpile objectives to achieve the "long-term" objectives should be made only under comprehensive acquisition plans developed by the Office of Defense Mobilization. Such acquisitions should take place ordinarily at such times as the Government decides that purchases will help to reactivate productive capacity and in other ways to alleviate distressed conditions in connection with domestic mineral industries that are an important element of the Nation's mobilization base. Accordingly, in making purchases preference should be given to newly-mined metals and minerals of domestic origin. Acquisitions will also continue to be made by obtaining strategic and critical metals and minerals in exchange for surplus agricultural commodities (which have already been paid for by the Government); and by transferring to the stockpile surplus metals and minerals generated under the Defense Production Act, the Federal Property Act, and other legislation.

In acquiring metals and minerals for the "long-term" stockpile objective, care should be exercised to avoid interfering with the normal relationships of regular trade in the United States and in friendly foreign countries. Where more than one agency of the Government is involved in these transactions close coordination by ODM will be required.

Materials in the stockpile should also be upgraded to the point at which they are more readily useable in the economy -- whereby electric power, transportation, manpower, facilities, and time--all of which will be short in time of war--are also stockpiled.

Upgrading of stockpile materials should normally be done only when it can be accomplished at favorable prices and in periods of lowered economic activity, thus providing both domestic employment opportunities and the maintenance of plants and facilities which are essential elements of the mobilization base.

All materials acquired must be held under all of the safeguards provided by the present Stockpile Act.

B. MAINTAINING DOMESTIC PRODUCTION FOR THE MOBILIZATION BASE

The Cabinet Mineral Policy Committee recognizes that a strong, vigorous and efficient domestic mineral industry is essential to the long-term economic development of the United States. The domestic mineral industry must contribute in varying degrees to the mineral raw material base for any future mobilization effort.

In addition to our need for domestic mineral production, it must be recognized that there are many important minerals where efficient domestic production is entirely lacking or inadequate to meet industrial and defense needs and where, as a consequence, stockpiling and accessible foreign sources must be relied upon.

2. The Committee recommends that the supply-demand situation for each of the metals and minerals be evaluated periodically on a case-by-case basis to establish the proper level of efficient domestic production required as an adequate component of the mobilization base. When it is found that the level of such production in the case of any particular mineral is, or is likely to become, insufficient to serve as an adequate component of the mobilization base, a comprehensive program involving the best use of all of the various existing authorities of the Government should be developed to maintain or to achieve that level of domestic production. In the event that the present authorities of the Government are inadequate to accomplish the desired objective, appropriate legislative recommendations should be prepared. The programs that are developed as a result of these case-by-case studies must be consistent with the basic foreign and domestic economic policies of the Government.

C. MOBILIZATION PLANNING FOR MINERALS

Mobilization planning for the mineral producing industries involves preparation of basic information on present and future mineral producing capacity in the U.S.A. and in foreign countries, including assessment of the extent of mineral reserves. The level of production that must be maintained in peacetime for each mineral must be established in order to ensure an adequate mobilization base for war. Industry must frequently be consulted so that it is aware of Government mobilization requirements, and, conversely, the Government must make plans that will enable the mineral industry to retain essential technical and skilled personnel and to obtain necessary machinery, power, transportation and maintenance, repair, and operating supplies. Even where stockpile objectives are achieved there is still a need for detailed mineral mobilization planning since stockpile objectives assume certain levels of production in wartime. Moreover, there are many important minerals for which no stockpiling is presently being attempted.

Prior to World War II there was almost no mobilization planning for minerals, although the War Industries Board of World War I had clearly pointed out the need for such planning. During World War II the War Production Board--a temporary agency--handled most of the allocation and expansion activities. After the start of the Korean War responsibility for the mobilization program was divided among several regular Government agencies.

The Office of Defense Mobilization (ODM) is responsible for overall mobilization planning activities of the Government but those activities relating to minerals have been reduced to a bare skeleton basis and divided among several agencies.

3. The Committee recommends that the ODM review with the Departments of Interior and Commerce, and other agencies concerned, the tasks which need to be carried on to build and maintain the mobilization base for metals and minerals; and issue necessary delegations of authority to assure full coverage of mobilization planning for metals and minerals within the policy framework and criteria established by ODM.

II DEVELOPMENT OF DOMESTIC MINERAL RESOURCES

In addition to security considerations, the Committee believes that an orderly development and wise use of the Nation's resources is an essential element in a strong and sound economy.

A major objective of mineral policy is a full and orderly program for the development and conservation of the country's mineral resources.

Mineral resources are wasting assets. True conservation calls for wise and full use to achieve the utmost value and to assure future supply. Although ore extracted from the earth does not renew itself, conservation cannot be achieved by locking up our resources for some indefinite use in the indefinite future. Thus, intensive search for new deposits and development of new properties are required to maintain prudent levels of reserves.

Successful mining usually requires long-range planning and substantial investment. Today's mines are the result of exploration, development, and risk-taking over a period of many years. Exploration for mineral deposits often requires substantial venture capital -- much of it a total loss. Development of new deposits requires heavy auxiliary investment in housing, transportation and other facilities in remote areas, and frequently the perfection of new technologies for mining and treatment of ores.

Mines of the future must be planned today -- not a decade hence.

The Committee believes that the Government has an obligation to assure that the mineral resources of the Nation be developed, conserved, and utilized in the best possible manner over the longest possible period in order to enhance its security and commerce. Development of mineral resources is, of course, primarily a function of private enterprise. The Government must, however, continue to assist in many ways.

The Committee believes that the search for new sources of mineral wealth within the United States needs to be pressed more vigorously. Evidence obtained through geologic investigations suggests that abundant mineral wealth awaits discovery.

A more adequate appraisal of the Nation's mineral assets would enable Government and industry more wisely to plan to meet security requirements. A greater knowledge of mineral resources made available to industry would tend to stimulate greater investment in development and production.

To encourage the optimum economic development of domestic mineral resources, the Committee offers the following recommendations:

4. That the tax structure as it affects the discovery and production of minerals should be periodically reviewed in order to eliminate, where possible, such deterrents as may be found to exist to the sound development of the Nation's mineral resources.

5. That the program of financial assistance to private industry for exploration such as that now administered by the Defense Minerals Exploration Administration be strengthened and continued.

6. That the Department of the Interior, the Federal agency with major responsibilities in this field, accelerate those activities which must precede or supplement private exploration such as topographic and geologic mapping, geologic research and the development of geochemical and geophysical theories and techniques.

7. That the Department of the Interior, through the Bureau of Mines and the Geological Survey, expand direct exploration activities aimed at the discovery of new mineralized areas or critically short materials essential to security but that work in this field be confined to that which provides data as to the probable location and general potential of mineral deposits, and, further, that this type of search be undertaken by the Federal Government only when it clearly is in the national interest and when it is reasonably certain that the work will not be done by private industry.

8. That the Secretary of the Interior develop recommendations for such revisions of the mining laws as may be desirable to recognize and thus encourage the use of newer methods of exploration.

9. That the Secretary of the Interior take such steps as may be necessary to strengthen and coordinate the collection and dissemination of facts concerning the Nation's mineral resources and factors pertaining to their production and utilization.

10. That the Department of the Interior intensify its program of mineral and metal research aimed at the development of latent resources, new mineral raw materials and improved utilization of existing raw materials, and coordinate its mineral and metal research with that of other Federal agencies, and as practicable, with research by industry.

Implementation of recommendations pursuant to 4 and 8 may require additional legislation. Authority for No. 5 is contained in the Defense Production Act of 1950, as amended. Adequate authority exists for the implementation of the remaining recommendations.

III GOVERNMENT-INDUSTRY RELATIONS

The Committee believes that the objectives sought by mineral policy can be more effectively achieved if closer cooperation can be developed between Government and the mineral industries.

11. It is recommended that the Secretary of the Interior develop ways and means of establishing and maintaining through some workable body the contacts between the mining industry and Government necessary to give force and effect to policies recommended herein.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By SHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

December 3, 1954
10:45 A. M. - 12:50 P. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield, and
  Asst. PMG Eugene J. Lyons, in part
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young, and Mr. Sorenson
  of CSC, in part
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Shanley, in part
Gen. Cutler, in part
Dr. Hauge, in part
Mr. Morgan, in part
Mr. Martin, in part

Government Salaries and Wages - Chairman Young cited the urgent need for reaching decisions on legislative proposals concerning salary increases. He indicated that two proposals, similar to those made last year but radically different from the bill vetoed by the President, would be offered with regard to Classification Act employees and Postal workers and that a third proposal concerning Congressional, Judicial, and Executive Pay would be presented.

Mr. Hughes noted that the increased cost of the Postal proposal was to be met by the proposed increase in postal rates. In regard to classified employees, he commented that it was traditional to have a large percentage of the increased cost absorbed by the departments and agencies, and he believed it desirable to have perhaps 50% of the cost of this proposal absorbed.

Chairman Young then presented a series of charts comparing (1) present pay schedules, (2) the Administration 1954 proposal, (3) the abortive Knowland proposal, (4) the 1954 provisions approved by Congress and vetoed by the President, (5) the Administration 1955 proposal -- all concerning Classification Act employees. He emphasized that the lack of an increase for GS-1 and GS-2 in 1954 was highly unpopular, that Congress approved a high floor and a low maximum, which increased salary compression instead of relieving it as the Administration desired, that the 1955 proposal was essentially the same in average percentage increase and added cost as that which Congress had approved in 1954.

The President ascertained during this discussion the nature of jobs assigned to Grade 1, Grade 3, Grade 5, etc.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

Chairman Young then distributed a memorandum containing the proposal for increasing Congressional and similar salaries by $2500, thus removing the $14,800 ceiling and allowing an increase for GS-18, and the creation of a new Grade 19.

The President believed Congress would insist on surpassing whatever the Administration proposed for the lowest grades, an effect which might be taken into consideration prior to submission to Congress. He added, in reply to Mr. Brownell, that the Administration had promised to sponsor some legislation this year. He believed also that should Congress pass a pay bill early in the session, it would be able to override the President easily should he decide to veto it.

The President questioned the reason for present pressures for pay increases in the absence of inflation during the last two years. Mr. Young commented on the general rise in wages in which Federal employees have not shared.

Sec. Wilson believed the Administration would be lucky to secure even a straight percentage increase, much less a graduated increase. He believed it desirable, therefore, to propose a flat 5% increase, particularly since there was but small variation from 5% in Chairman Young's proposal. The Postmaster General stated that he could not recede from the Post Office proposal advanced last year.

In a discussion of Federal salaries as compared to private industry's, Mrs. Hobby, Chairman Young, Mr. Brownell and Dr. Flemming emphasized the difficulty of securing personnel at present rates, particularly in the lowest grades, and the failure to get top flight personnel at existing rates in the highest grades.

Dr. Burns pointed out that the year 1955 will bring a tremendous effort by the unions for higher wages -- and that would result in an undetermined amount of economic trouble. Should wage increases be passed on to the consumers, a spiral of inflation might be touched off or, if not passed to the consumers by those concerns having difficulty marketing their product, there would be a decrease of production and consequent unemployment. In the light of that situation, it appeared that any Government pay increase proposals would have considerable significance. He believed that the Government must avoid any appearance of recognizing a need for general increases or of being the one to take the lead in granting increases. Sec. Humphrey added his feeling that the Administration for various reasons had to make proposals in several fields but should make a determined effort to act in as modest a manner as possible.

The President ascertained from Sec. Humphrey that increases of national productivity would allow salary increases from time to time without consequent inflation, and then commented that the problem seemed to be essentially one of manner of presentation. He went on to express his feeling that in some respects, such as the proposal concerning judges, the increases did not go far enough. Sec. Humphrey pointed to the demagoguery which would inevitably result from giving a large -- 17% -- increase to a select group in the higher brackets when the bulk of employees would get approximately 5%.

The Attorney General urged that any proposal concerning Congressional, Judicial and Executive pay be made later in the session. Sec. Benson

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHe NLE, Date 8-5-76

was concerned about the difficulty of selling the over-all proposal, though he had no objection to it in principle. Gov. Stassen believed that action on Executive Pay ($15,000 and up)should be a separate item following after action on a straight percentage increase for other employees.

Secretaries Humphrey and Wilson suggested the possibility of changes in the definitions of the various grades as a substitute for some of the pay increases.

In reviewing Congressional action last year on Post Office proposals, Mr. Summerfield emphasized the failure to provide reclassification and incentive measures. He proposed renewal of the Postal proposal with a revision to provide an all-inclusive 5% increase along with a position evaluation plan, and opportunity for the Post Office to give selective additional raises of 1 1/4%.

He stated that his Department would propose also an increase in postal rates which would enlarge revenues by more than $400 million annually. However, he said, the Democratic leadership seemed inalterably opposed to any increase in first class rates, which constituted 75% of the additional revenue.

The Postmaster General reviewed the Congressional outlook for these proposals and estimated that the program, other than the first class rates, had a good chance of success. He stated that a determined effort would be made to secure action on rates prior to action on salaries.

Sec. Benson believed the issue of postal rates an excellent one to take to the country, in view of the subsidization to publishers involved.

The Postmaster General called attention to the current attacks on present policies concerning "Occupant" mail. He described this policy as a means of reducing handling and expenses to the Post Office, though the newspapers believed it competed with their advertising.

It was agreed that the Postmaster General should talk to Rep. Rees with regard to the method of introducing the proposals. The President commented that he was under increased pressure to use the Republican leadership in view of the current Congressional situation, but he believed it would be effective to let the opposition introduce a bill urgently desired by the Administration. He noted his forthcoming discussion of this subject with Sen. Knowland and Speaker Martin.

In response to the Attorney General, the President indicated that the matter of a Legislative Program Conference with the Republican leadership was still under consideration but would in any event be considerably briefer than last year. He noted also the difficulty of securing both desired actions and credit for the actions.

Mr. Summerfield stressed the need for moving ahead with the Post Office program even prior to the State of the Union Message. The President stated that the Message would be delivered early in January but there was an open question as to whether he would deliver it personally. Mrs. Hobby

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/16/78

~~CONFIDENTIAL~~

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/1/78
NLE Date 11/16/78

considered it very important for the President to deliver it personally. Mr. Benson thoroughly agreed.

The Vice President urged, and the Cabinet agreed, that the Administration would omit the GS-19 proposal and would not include in its original presentation anything concerning Congressional, Judicial and Executive Pay. The President recalled Congressional conversations last year and the need for paying close attention to Congressional attitudes toward Executive Pay schedules. The Attorney General urged that the President make no specific recommendation as to the level of Congressional pay and the President agreed that he would attempt to stay away from the question.

Economic Legislation - Dr. Burns believed sufficient reference to this subject had already been made in his earlier comments and felt it advisable, because of the lateness of the hour, to postpone further comments.

Rio de Janiero Conference - Sec. Humphrey reported briefly on the Rio Conference. He pointed out particularly for the benefit of Cabinet members who might have to face the question that the US effort got off to a bad start by virtue of rumors that the Administration was seriously divided on being generous or restrictive, and by the extremist opinions expressed by Rep. Fulton and Sen. Smathers. He believed that the situation had been corrected before the end of the Conference and that the agreements reached would be satisfactory to the Latin American countries.

The President inquired as to Latin American attitudes vis-a-vis Asia. Sec. Humphrey believed great jealousy would develop if the United States entered into lavish schemes in the rest of the world. The President asked as to the meaning of "lavish" and went on to emphasize that the United States had certain interests to protect in Asia and that protection of them would also serve the interests of Latin America. He believed the Joe Dodge organization being set up could serve to keep a watchful eye on this situation. Sec. Wilson suggested, and Sec. Humphrey agreed, that the situation might well be saved by tying any economic program on to military aid programs, of which the Latin American countries were not jealous.

Sec. Humphrey also pointed out that the proposal made by representatives of the United Nations Economic and Social Council for Latin America were overly extensive and most upsetting to satisfactory progress of the conference.

The President emphasized the need for partnership which could never be obtained merely by making outright grants. He believed that there could be considerable accomplishment derived from smaller private meetings with foreign leaders for the purpose of encouraging the flow of private capital.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By JC NLE, Date 11/16/78

~~CONFIDENTIAL~~

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/1/78
NLE Date 11/16/78

Pakistan and Yugoslav Agricultural Programs (CI-9) - Gov. Stassen reported that differences of opinion on these programs had been settled last night and that there was no necessity for Cabinet discussion.

Cabinet Action Status Report (CI-7) - Gov. Adams indicated that the paper was self-explanatory and that discussion might be passed over in view of the lateness of the hour. Sec. Dulles commented that he found it a very useful paper.

Congressional Coordination - The President pointed out his desire to receive the ideas of any one who had given serious thought to the question of how best to effect cooperation with Congress during the coming session. He saw no particular problem with regard to national security matters but he did believe action in regard to domestic matters required the most careful consideration, particularly if the frustrations of Presidents Wilson and Hoover were to be avoided.

The Vice President, Sec. Weeks, Mrs. Hobby, all emphasized the paramount importance that would be attached in the 1956 elections to the content and success of the Administration program as a whole rather than the separate needs of individual Members of Congress. The Vice President believed it of little importance as to which Party introduced a particular bill, so long as the Republicans had a good program.

The President and Gen. Persons emphasized the increased importance now of each Cabinet member developing his personal friendships with a view to obtaining maximum support on legislation.

Sec. Benson asked if early action were contemplated in regard to extending the Reorganization Act. Mr. Flemming assured him that the Hoover Commission was anxious to make a vigorous recommendation and that this subject was being well attended.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

Cabinet 12/3/54

December 2, 1954

Mr. President and Members of the Cabinet:

In line with the President's memorandum of disapproval of August 23, 1954, the Post Office Department will resubmit to Congress when it reconvenes in January the basic recommendations previously made by the Administration together with such modifications as our further study indicates are needed.

These proposals are designed to correct inequities in our salary schedules and to provide proper incentives for increased responsibility. We propose:

1. To sponsor legislation increasing salaries of all postal field service employees by a minimum of 5%.
2. To include as an integral part of the legislation, authorization to install a position evaluation plan costing an additional 1-1/4 of total payroll, distributed in such a manner as to provide an incentive for higher skilled and more responsible positions.

Total annual cost to the Department is estimated at $129,000,000 a year.

In addition the Post Office Department will sponsor legislation providing for increases in postal rates.

1. An increase in first class postage from 3 cents to 4 cents which would provide an increase of 307 million dollars in revenue.
2. An increase in domestic air mail from 6 cents to 7 cents which would provide an increase of 16 million dollars.
3. An increase in second class mail of 25% over two years which would provide an increase of 10.3 million dollars in the first year and 7.5 million dollars additional in the second year.
4. An increase in third class mail of 32% which would provide an increase of 81.7 million dollars.
5. An increase in fourth class mail (books) of 8.2% which would provide an increase of 1.5 million dollars.

Total domestic mail - first year - $417,000,000
Total domestic mail - second year - $424.5 million

Note - Without first class mail and domestic air mail increases, total revenue would be 93.5 million in the first year and 101 million in the second year.

PRIVATE

Early last Spring the Post Office Department presented to the President and the Cabinet the results of a careful study of the Postal Field Service salaries along with recommendations for correction of the serious inequities and the hodgepodge pay structure which the study revealed. At that time the Administration was confronted with proposed Congressional action on Federal salaries in terms of flat, across-the-board increases ranging from $800 to $1200 a year -- which would have made a bad situation worse.

Very briefly, our study revealed:

1. Starting rates far too low in metropolitan areas, where most employees are concentrated, to attract a reasonable caliber of applicants to the Postal Service, particularly in the light of the necessity of employing all new workers as substitutes with no guarantee of a definite number of hours of work.
2. Long-service letter carriers and clerks paid at or slightly below average industry rates for similar work -- but, because salaries are based on job titles alone, many different levels of work are paid at exactly the same salary rate.
3. All supervisory personnel, including most postmasters, paid substantially below the rates for other government employees doing the same level of work and far below industry levels for comparable duties and responsibilities.

4. In short, the salary structure was and is of such nature that no incentive is offered for superior performance, advancement being based almost exclusively on length of service.

The Department offered legislation, including a detailed reclassification plan, designed to correct this situation. After accepting numerous amendments to the original proposal, the Administration on July 21 reluctantly supported the Rees bill providing for a 5% general increase for Postal Field Service employees plus a position evaluation plan to correct inequities and coupled with an increase in postage rates to provide the essential additional revenue. This bill also included expensive fringe benefits and would have cost $176,000,000 a year. The legislation, brought up under a suspension of the rules and requiring a two-thirds majority, failed of enactment.

However, during the long discussion of Federal salaries which this proposed legislation precipitated, the Congress apparently became convinced that exorbitant increases on a flat dollar basis were not justified, and a bill based on a five-percent increase was enacted. Unfortunately, this measure included a $200 minimum and a $440 maximum increase and failed to provide any means of correcting the serious inequities in the salary structure. The Congress also failed to provide essential revenue in the form of increased postage rates. The salary bill, therefore, was disapproved by the President.

But the same problems which were revealed by our prolonged and detailed salary study remain unsolved. And once more we are confronted with strong pledges of action by the Congress on Federal salaries, particularly those in the Postal Field Service. We have continued our own studies and analyses and efforts to find a just and reasonable solution which would be acceptable to the Administration, the Congress and employees.

We propose to renew our efforts to include provisions to correct inequities and offer incentive in any salary increase legislation enacted. Our proposal for the 84th Congress has been designed to overcome, insofar as possible, the objections which were voiced against the legislation offered to the 83rd Congress. Summarized, our plan is as follows:

1. To sponsor legislation increasing salaries of all Postal Field Service employees 5%.
2. To include as an integral part of the legislation, authorization to install a position evaluation plan costing an additional 1¼% of total payroll, distributed in such a manner as to provide an incentive for higher skilled and more responsible positions.

Total annual cost to the Department is estimated at $129,000,000 a year. The proposed position evaluation plan involves selection of about 30 of the 602 different types of jobs in the Postal Field Service and labeling these as "bench mark" jobs. Reasonably detailed descriptions of the duties and responsibilities of these jobs would be written into the law.

The grade and rate range for each of these types of positions also would be written into the law. Since more than 400,000 of the 500,000 Field Service employees are assigned to one or another of these "bench mark" jobs and the Congress would in effect grade them and set the salary rates, the objection raised in the 83rd Congress that the reclassification plan transferred to the Executive Branch the authority to establish salaries would be eliminated. Grades and rate ranges of the 30 "bench mark" jobs would fall within one or another of 20 rate ranges to be submitted as a new salary schedule. These 20 rate ranges would replace the complex system of 92 rates and ranges under which we now operate, except for separate salary schedules for fourth-class postmasters and rural carriers.

The legislation desired would require the Department to evaluate all the remaining 572 different types of jobs in proper relationship to the "bench mark" jobs and insert them at the proper salary level within the 20 rate ranges established for the "bench mark" positions.

An appeal procedure to the Civil Service Commission would be provided for any employee who felt that his position was improperly allocated in relation to the "bench mark" positions. There would also be a guarantee against reduction of any employee's salary so long as he occupies the same or a like position to that which he held at the time of installation of the position evaluation plan. These latter two provisions are designed to meet two of the other major objections expressed by members of the Congress to our original reclassification proposal.

Summarizing cost items:

1. Our original proposal to the 83rd Congress would have cost approximately $80,000,000 a year.
2. The amendments which we accepted and supported, including fringe benefits, in conjunction with an increase in postage rates would have increased the original proposal cost to $176,000,000 a year.
3. The cost of the bill passed by the Congress and disapproved by the President would have been $112,000,000 a year, but by establishing a $200 minimum increase and a $440 maximum was much the same as a flat dollar increase. Thus, it would have made existing inequities more acute as well as failing to provide for essential reclassification.
4. The plan we now propose would cost about $129,000,000 a year.

DECLASSIFIED
E.O. 11652, Sec. 11
MR78-95 #1
By J. W. Date 6-7-78

~~SECRET~~

CI - 8

December 1, 1954

The White House
Washington

THE CABINET

Report on the Relocation Operation Readiness of November 20, 1954

For information of the Cabinet, attached is a Report, prepared by the Director of the Office of Defense Mobilization, on the two-phased Relocation Exercise OPERATION READINESS conducted on November 20, 1954.

One phase was the Interim Assembly at High Point, with which the first section of the attached Report deals.

The other phase was the simultaneous Relocation Test Number Two of thirty key mobilization Agencies. A separate section of the Report discusses some of the results of this test, cites three examples of agency test problems and contains tabular data on agency activities.

The Report is preceded by a Brief.

This Report will form the basis for continued planning by the Office of Defense Mobilization with the Executive Branch Agencies and will be a reference document for a discussion of this subject at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

~~SECRET~~

CABINET PAPER
FOR INFORMATION

~~SECRET~~

THE CABINET

REPORT ON OPERATION READINESS

November 20, 1954

BRIEF

Subject: Attached is a report on the November 20 meeting at High Point of the heads or their alternates of thirty agencies with essential wartime functions and of the emergency relocation tests of these agencies.

Interim Assembly: The Interim Assembly at High Point centered around a very effective JCS briefing given by Rear Admiral Robbins on the enemy capabilities for attack on the United States. Individual groups then addressed their attention to specific problems that would arise under attack conditions. Most of their conclusions were reviewed by the central Cabinet and NSC Group. Major conclusions reached:

Wartime Organizational Problems. Immediate efforts must be made to provide for coordination of federal activities in the field on a regional basis in event of all out mobilization.

Transportation: Local authorities must be created in target areas with power to handle all local transportation requirements.

Communications: Immediate priority control on communications will be needed after attack. Federal Communications Commission to be the implementing agency.

Production: All available communications should be used to urge evacuees to return to their homes and jobs. Priorities should be placed on essential production and supply programs; non-essential items should be temporarily frozen at pre-attack production levels. A reserve field organization should be created, authorized to act independently of national direction if necessary.

Materials: Payment for certain selected basic materials should be guaranteed for a period of three months immediately following attack. Self-triggering pre-M-day contracts should be placed with individual producers for continued or expanded production of basic materials. The National Industrial Reserve and other government-owned facilities should be activated on a self-triggering basis.

Stabilization: A freeze should be invoked on all prices, wages, and rents and then modified as necessary.

Manpower: Field organizations of Labor, Selective Service, Civil Service Commission should be utilized to regain control of manpower problems in local areas and regions.

Implementation: ODM will incorporate these conclusions and recommendations in current mobilization plans.

Relocation Test No. 2: Thirty agencies conducted a six-hour command post exercise at relocation sites.

961 personnel were involved in test.

Problems were developed by agencies to test operational readiness to carry out essential wartime functions under attack conditions.

~~SECRET~~

Communication requirements under emergency conditions were reviewed.

Objective for Next Exercise:

A joint FCDA-ODM exercise.
To be held in June 1955 -- two or three-day duration.
To include field and regional activities.
To test feasibility of a coordinated regional organization.
To test emergency communication network requirements.

~~CONFIDENTIAL~~

INTERIM ASSEMBLY

An analysis of enemy capability to launch an air attack against the United States, discussion of mobilization planning in various fields, and consideration of the wartime organization of the Government were highlights of the simulated Interim Assembly held at High Point on November 20, 1954.

Of the 30 departments and agencies participating, four departments were represented by their Secretaries, four by Under or Assistant Secretaries, and eleven independent agencies by their heads. Approximately 110 persons attended this meeting.

The meeting was held in the underground chamber at High Point, a room approximately 35' by 100'. The room was divided into separate cubicles for the Cabinet-NSC group and for the various area discussion groups. Communications within the chamber were by means of a public address system, buttressed by three mobile TV cameras and TV monitor sets stationed in each cubicle. This permitted the various groups to meet separately or to communicate with each other readily by sight and sound. This arrangement simulated the planned development of the High Point underground facility where individual rooms will be available for the various functional areas, equipped with adequate intercom and outside communications equipment.

SUMMARY OF EVENTS

At the beginning of the meeting the President met with the assembled group for about 15 minutes by means of phonevision.

Rear Admiral Thomas H. Robbins, Joint Chiefs of Staff, briefed the Interim Assembly on estimated enemy capabilities for attack on the Continental United States. The remainder of the discussion was based on an assumption that the hypothetical attack described by Admiral Robbins had already occurred.

Mr. Harold L. Aitken, Executive Assistant Administrator, Federal Civil Defense Administration, described that agency's program in the light of the attack situation outlined by Admiral Robbins. In view of the planned extension and completion of early warning devices, FCDA has been developing and testing methods of evacuating target areas. The evacuation approach to civil defense has received only limited application to date but it is expected to be tested extensively during the nation-wide civil defense test next June.

In the afternoon individual panel discussions were held on the following topics:

Group	Subject
Cabinet and National Security Council Group	Wartime organizational problems.
Transportation and Communication	Mobilization plans and immediate post-attack actions.
Production and Materials	Mobilization plans and immediate post-attack actions.
Manpower and Stabilization	Mobilization plans and immediate post-attack actions.
Civil Defense	The role of civil defense in total mobilization.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

ACCOMPLISHMENTS

Wartime Organizational Problems

Discussion Leader: Arthur S. Flemming.

Conclusions:

The most significant decision made in the organization planning discussion of the Cabinet was expression of complete agreement that immediate efforts must be made to assure coordination of all Federal activities in the field, on some sort of regional basis. Interrelated with this, it was agreed that the war resources group of emergency agencies would have to be coordinated in the field.

Action:

Early efforts will be devoted to planning the necessary coordinating mechanism. Basic consideration will be given to (1) the relationship of war resources emergency agency coordination to total Federal regional coordination, (2) the relationship of the FCDA regional organization to the war resources regional organization, and (3) the relationship of the non-coterminus Defense Department areas with total Federal coordination.

In discussing the skeleton organization outline for full mobilization, the problem was raised as to whether conflicts between various claimants for war resources could be resolved by the Director of War Resources if he is at the Department level rather than in the Executive Office of the President.

Questions were raised concerning wartime organization for internal security, for assuring control of inflationary tendencies, and for handling the claimancy requirements of our Allies. These were noted for early consideration by the organization planning staff.

TRANSPORTATION

Discussion Leader: Mr. John P. Dennis
Coordinator of Defense Transportation, ODM

Conclusions: The Primary problems in transportation under attack would be:

1. The creation or activation of local authorities at the target points with power to handle all local transportation requirements.
2. The activation of a previously agreed upon War Transportation Administration.

At the present time, there is no such organization on a national level which has been agreed upon by all agencies concerned.

TELECOMMUNICATIONS

Discussion Leader: Mr. H. M. Botkin
Assistant Director for Telecommunications, ODM

Conclusions:

1. Priorities for communication would be needed after attack. A specimen priorities control order was distributed and it was agreed that the Federal Communications Commission would be the proper implementing agency.

~~CONFIDENTIAL~~

2. In the field of restoration of communications in target areas, stockpiled surplus military tactical communication equipment could be used as a temporary local expedient but would not be of substantial help in the restoration of the national communications system. Emergency repair crews and equipment need to have freedom of interstate movement. FCDA is now working on a solution to minimize local and state jurisdictional disputes in a national civil defense emergency. It was agreed that a system of priorities of restoration of service should be developed.

3. A communication center to provide a focal point for the reception, transmission, and recording of messages and calls should be established at High Point. At the present time, the Department of Defense is providing minimum essential communications at High Point for the White House activities and facilities for integrating the microwave communications of certain critical agencies.

PRODUCTION

Discussion Leader: Mr. George A. Landry
Assistant Director for Production, ODM

Conclusions:

1. With evacuation of all major target cities, the first problem would be to improve the morale of the civilian population and to stabilize the labor force by using available communications to urge people to return to their homes and jobs. In furtherance of this objective, transportation available for the purpose should be used to transport dispersed populations back to their homes and provide transportation for them to and from their points of employment.

2. The most urgent post-attack production and construction requirements must be met by giving essential production and supply programs priority over nonessential production and construction. Essential programs would include: restoration and maintenance of transportation, communications, power, petroleum, fuel and food producing facilities; community utilities such as water and sewage services and emergency supplies for civilian population in damaged areas. Existing priority for essential military and atomic energy programs would continue in effect.

3. Production of nonessential items should be frozen at pre-attack levels thus stabilizing employment to the extent possible yet at the same time prohibiting abnormal accumulations of production materials in anticipation of shortages.

4. The need for adequate pre-attack preparations was emphasized, particularly the creation now of reserve field organizations equipped with authority to act independently of national direction upon an attack.

MATERIALS

Discussion Leader: Mr. W. S. Floyd
Assistant Director for Materials, ODM

Conclusions:

1. An Emergency Basic Materials Procurement Regulation should be issued to insure payment for selected basic materials produced but not sold in the first three months after attack. The list of materials covered must be carefully developed.

2. Pre-M-Day contracts for continued or expanded production of basic materials should be entered into by the Government, these contracts to be self-triggering in event of an atomic attack.

3. Facilities in the National Industrial Reserve, and other Government facilities for the production of materials, should be reactivated on a self-triggering basis.

4. Special procurement, as for example specified sizes of lumber and plywood for rehabilitation and temporary construction needs, would be required.

MANPOWER

Discussion Leader: John F. Hilliard,
Deputy Assistant Director for Manpower, ODM

Conclusions:

1. The existence of strong, well trained field organizations of the Department of Labor, Selective Service System, and the Military Departments is a tremendous asset for regaining control of the manpower problem after an attack. This particular attack destroyed only a small fraction of these field facilities.

2. The field organization of the Department of Labor has done considerable planning for a post-attack operation but is still deficient in the establishment of relocation centers, in detailed operating plans, and in making certain of the prompt availability of mobile equipment for handling communications and personnel.

3. The Selective Service System is relatively well prepared with post-attack operational plans, and during the first few weeks its primary problem would be sorting out of records, locating registrants, and getting ready to deliver men as fast as the Armed Forces can handle them.

4. The Department of Defense would be confronted with several problems to which additional study must be given. Principal ones are: When and to what extent should the military missions of the Active Forces be modified for the period immediately following an attack? Should the National Guard be Federalized at once and if so, should Divisions be withdrawn from their States? Should the Federal Government sponsor legislation providing for State Militias not subject to Federal Service?

5. The Civil Service Commission is reasonably well equipped with authority for recruiting and paying additional personnel required for the emergency operations of the Government.

STABILIZATION

Discussion Leader: Mr. Nelson Eddy
Acting Assistant Director for Stabilization, ODM

Conclusions:

1. A general freeze of prices, wages, and rents should be imposed promptly despite probable initial inability to back it up with well organized administration. The freeze, however, would constitute only temporary holding action. At the minimum specific amendments would quickly become necessary.

ACTION

ODM will incorporate these decisions and recommendations in the Mobilization Plans and will develop specific programs with the delegate agencies for preparing self-triggering orders, standby delegations of authority and other necessary action steps for post-attack implementation.

PLANS FOR RELOCATION TEST NO. 3

Test to be held in June 1955 as a joint exercise with the FCDA nation-wide civil defense test. It is hoped that this will include an evacuation test of Washington, D. C. Objectives are:

1. To activate all relocation sites for a two or three day test period with full complement of personnel.
2. To extend the test to regional and field operations of the agencies involved.
3. To test the feasibility of a coordinated regional organization concerning the major activities of the Executive Branch of Government.
4. To test the communication plan for the interagency network within the relocation arc using mobile communication equipment.

~~CONFIDENTIAL~~

EMERGENCY RELOCATION TEST NO. 2

Thirty key mobilization agencies particpated in the command post exercise at their relocation sites under simulated conditions involving an atom bomb attack on the United States. The test brought into focus many of the program aspects of the emergency operations that the individual agencies would be called upon to perform under actual attack conditions.

One of the objectives of the exercise was to test the operational readiness of federal agencies to carry out wartime functions under simulated attack conditions. Each agency had developed specific problems dealing with their wartime essential functions for solution during the test period.

Due to the lack, at this time, of secure communications, the agencies reported to their heads at High Point on progress of their tests through the media of commercial telephone lines. However, one of the purposes of the test was to determine the type and degree of communication that would be required under emergency conditions. Communication requirements are being developed by each individual agency in order that we can determine the communication network required to meet such essential emergency operations.

Each agency prepared for and conducted the test with a seriousness of purpose and urgency that assured an effective measurement of programs and plans for emergency operations. Gaps and deficiencies in these plans and operational procedures have been exposed. These are being catalogued and corrective action will be initiated as rapidly as possible to bring our state of readiness to a further degree of refinement. All reports indicate that this testing has been an effective means of pointing out areas needing additional attention.

A few examples of the types of problems developed by the individual agencies are included to show the thoroughness and the scope of the test. The Department of Commerce invited a representative of the ODM staff to observe its test. A short resume' of the activity at this location has been developed for this report. If practicable, it is hoped that "umpires" can be utilized in the next test. We would have to call on other areas of the Executive Office such as Bureau of the Budget, Civil Service Commission, etc., to carry out this plan.

Examples of Agency Test Problems

Commerce Department

A "command post exercise" at the Department of Commerce, departmental relocation headquarters was directed by Under Secretary Walter Williams. Appropriate staff from the Office of the Secretary, representing personnel, legal, management, budget, security, information and administrative operations generally, assisted the Under Secretary. Eleven of the constituent Bureaus of Commerce at their independent emergency relocation centers undertook the resolution of specific substantive problems, designed to test their respective essential wartime functions. Ten of the fourteen problems posed were satisfactorily worked out. Additional problems of administrative policy and legal nature were presented to the Bureaus on a surprise basis.

As the play of the problems got under way at the individual Bureau centers, communications between the centers and the Departmental Headquarters developed in volume and a realistic atmosphere of emergency was produced. Through the nature of the questions directed to this command post and the general conduct of the exercise from that point an ideal testing situation was developed.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Individual Bureau Problems

Bureau of the Census: (1) To determine effect of the assumed bomb on the workers in a particular city. (2) To make a detailed analysis of the surviving establishments in one of the strategic industries extensively affected by the attack, e. g. the primary steel, aluminum and electronics industries.

Civil Aeronautics Administration: (1) To assess the effect of the damage done by the attack on the capability of the Federal Airways system to carry out the function of expediting tactical military air movements by the control of air traffic. (2) In connection with CAA's wartime responsibility for the establishment, maintenance, and operation of airports, to prepare an assessment of the landing areas available for use by assistance or rescue missions -- based on information furnished regarding the size of the attack and damage sustained in the Boston, New York, Philadelphia, Washington, Baltimore, Pittsburgh, Chicago, and Detroit metropolitan areas.

Defense Air Transportation Administration: To test the planning in connectio with the immediate activation and implementation of the Civil Reserve Air Fleet plan.

Bureau of Foreign Commerce: After authorization from the Secretary of Commerce to requisition all goods presented to Collector of Customs for export on or after D-day, what actions should be taken by Bureau of Foreign Commerce upon receipt of instructions from the Business and Defense Services Administration to impound copper, steel, and aluminum in mill shapes for shipment to the most convenient city in the United States?

Maritime Administration: To test the operational readiness of Maritime Administration to revise the merchant ship construction program in the light of immediate (D plus 3) post-attack data.

National Bureau of Standards: To assure the post-attack broadcast to North America and the North Atlantic of radio propagation disturbance warnings and standard radio frequencies and time signals, vital to the operation of radio communication, navigation and defense operations in these areas.

Weather Bureau: To complete arrangements at once for having an alternate Weather Bureau facility assume responsibility for functions of the Weather Bureau-Air Force-Navy analysis center which has been immobilized because of attack.

Business and Defense Services Administration: (1) To identify specific action steps to be taken in order to resume aircraft production following an attack. These steps will cover aircraft, components, basic materials, and metalworking equipment. (2) To analyze the specific program area problem in steel, aluminum and electronics and identify appropriate steps for solution within capabilities.

Coast and Geodetic Survey: To supply large quantities of nautical charts for usable ports and instrument approach and landing charts to those terminals in close vicinity to the stricken areas.

Bureau of Public Roads: Have adequate plans and procedures for a national program of emergency clearance and restoration of highways, streets and bridges in damaged areas been established, or must additional plans be developed?

~~CONFIDENTIAL~~

Department of State

Problems:

1. Foreign diplomatic missions.
2. Internal organization of headquarters.
3. Relationship between Regional Headquarters and Chiefs of Diplomatic Missions with Military Commanders abroad.
4. Political Policy Problem (simulated).

Description of Type of Problems (Foreign Diplomatic Mission)

Should friendly diplomatic missions be assigned a relocation site or sites? If so, how should this problem be handled during the planning stage? What criteria should be used in selecting "friendly" governments, and what is to be done about "doubtful" ones, if any? Discuss the details of how to inform various missions and the responsibilities of the various parties in this sort of undertaking.

~~CONFIDENTIAL~~

General Services Administration

Problems:

1. Shipment of Strategic and Critical Materials
2. Resumption of Publication of Federal Register
3. Emergency Acquisition of Relocation Site

Description of Type of Problem

To get into the hands of the entire consuming industry, strategic and critical materials now stored at some 300 locations throughout the United States, under (a) emergency conditions and (b) a controlled materials plan.

What policies will be necessary to govern the distribution of material to consumers under emergency conditions?

Have procedures been developed to cover the release of material from the stockpile under emergency conditions?

Have procedures been established whereby releases from the stockpile to industry can be effected by the Regional Offices?

Should industry be given authority permitting the use of plant-site storage material in the event of an attack?

What steps must be taken to divert shipments in transit when transportation has been disrupted?

Has a system of priority been developed covering the outloading of strategic and critical material at Military facilities?

Should sealed orders be issued to personnel at stockpile locations - these orders to be opened in the event of an emergency?

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

Summary of Agency Activities at Relocation Sites

Attached is a tabulation of agency activities in the emergency relocation test, based upon preliminary reports to ODM. Complete reports will be submitted on December 15.

Most of the agencies made good showings as to personnel participating in the test and they were generally regarded as the right personnel. In most cases only a fraction of the key personnel was sent.

Most agencies successfully solved the problems they had set; in a number of cases these problems identified the need for decision of higher authority or indicated further work to be done.

Virtually all agencies operated at the sites for six hours or more and maintained logs of their activities for later critiques.

All agencies managed to make contact with High Point by commercial telephone although some experienced difficulties in making connections or reaching their principals. The need for improvements in communications facilities was highlighted to nearly every agency.

The great majority of agencies found that they had adequate office space for the personnel needed to carry out essential wartime functions and most have made allocation to the major organizational components though not to individual units. A few agencies are in temporary or inadequate quarters and plan to obtain new or improved sites in the near future.

Most agencies now have essential operating records stored where they are accessible to the relocation sites. The test indicated the need for additional records in many instances.

~~CONFIDENTIAL~~

[redacted]

SUMMARY OF AGENCY ACTIVITIES AT RELOCATION SITES

AGENCY AND PERSON IN CHARGE AT SITE	NO. PARTICI-PATING	NO. PROBLEMS SOLVED	NO. PROBLEMS INCOM-PLETE	PROBLEMS REQUIRING DECISION OF HIGHER AUTHORITY	RECORD LOG KEPT AT SITE?	LENGTH OF TIME AT SITE	HIGH POINT CON-TACTED?	OFFICE SPACE ADEQUATE?	OFFICE SPACE ALLO-CATED?	OPERATING RECORDS AVAILABLE?	OPERATING RECORDS USED?
STATE - COL. H. O. DEAKIN SPEC. ASST. TO SECRETARY	99	4	0	1	YES	6 HOURS	YES	NO	YES	NO	NO
TREASURY - H CHAPMAN ROSE ASSISTANT SECRETARY	79	50	10	7	YES	6 HOURS	YES	PARTLY	NO	PARTLY	PARTLY
DEFENSE - RALPH N. STOHL, DIR., OF.DOM. SEC.PROGRAMS	7	N.A.	N.A.	N.A.	NO	5½ HOURS	YES	YES	YES	YES	NO
JUSTICE - W. F. TOMPKINS, ASST. ATTORNEY GENERAL	24	1	0	1	N.A.	6 HOURS	YES	YES	NO	NO	NO
POST OFFICE - NORMAN R. ABRAMS, ASST. PMG	41	3	4	2	YES	6 HOURS	YES	YES	YES	YES	NO
INTERIOR - J. CORDELL MOORE DIR., DIV. OF SECURITY	29	4	0	4	YES	6 HOURS	YES	YES	NO	NO	YES
AGRICULTURE - T. S. GOLD, CONFIDENTIAL ASST TO SEC'Y	101	0	9	1	YES	6 HOURS	YES	YES	NO	NO	NO
COMMERCE - WALTER WILLIAMS, UNDER SECRETARY	65	10	4	0	YES	6 HOURS	YES	YES	YES	YES	YES
LABOR - JAMES E. DODSON, ASST SECY FOR ADMIN.	94	6	5	3	YES	6 HOURS	YES	YES	YES	NO	NO
HEW - ROSWELL B. PERKINS, ACTING UNDER SECRETARY	26	19	0	0	YES	6½ HRS.	YES	NO	N.A.	YES	YES
AEC - J.L. KELEHAN, ASST. GEN. MGR. FOR ADMIN.	18	N.A.	N.A.	N.A.	YES	5½ HRS.	YES	YES	YES	NO	NO

~~CONFIDENTIAL~~

SUMMARY OF AGENCY ACTIVITIES AT RELOCATION SITES (CONT'D)

AGENCY AND PERSON IN CHARGE AT SITE	NO. PARTICIPATING	NO. PROBLEMS SOLVED	NO. PROBLEMS INCOMPLETE	PROBLEMS REQUIRING DECISION OF HIGHER AUTHORITY	RECORD LOG KEPT AT SITE?	LENGTH OF TIME AT SITE	HIGH POINT CONTACTED?	OFFICE SPACE ADEQUATE?	OFFICE SPACE ALLOCATED?	OPERATING RECORDS AVAILABLE?	OPERATING RECORDS USED?
BUDGET - P. F. BRUNDAGE, DEPUTY DIRECTOR	24	1	0	0	YES	6 HOURS	YES	YES	NO	YES	NO
CIA - H. GATES LLOYD, ASST. DEPUTY DIR. (ADMIN.)	42	N.A.	N.A.	N.A.	YES	6 HOURS	YES	YES	YES	YES	YES
CSC - JOHN W. MACY, JR. EXECUTIVE DIRECTOR	55	7	N.A.	N.A.	YES	6 HOURS	YES	YES	PARTLY	NO	NO
DTA - HOMER KING, DEPUTY ADMINISTRATOR	6	5	0	0	YES	4½ HRS	YES	N.A.	N.A.	YES	NO
FCC - ROBERT E. LEE, COMM.	10	4	1	1	YES	6 HOURS	YES	YES	NO	YES	YES
FPC - J. B. TURNER, CHAIRMAN, EMER. RELOC. PLNG COMM.	13	2	1	N.A.	YES	22 HRS	YES	YES	NO	NO	YES
FRB - S. R. CARPENTER, SECY OF BOARD	8	1	0	1	YES	5½ HRS	YES	YES	YES	YES	YES
FOA - GEN. W. E. RILEY, DEP. DIR. FOR MANAGEMENT	23	N.A.	N.A.	N.A.	YES	6 HOURS	YES	NO	NO	NO	NO
GSA - J. T. McDERMOTT, RELOC. PLANNING OFFICER	31	3	1	0	N.A.	6 HOURS	YES	YES	NO	NO	NO
HHFA - M. CARTER McFARLAND ACTING ASST. ADMIN.	18	0	1	N.A.	YES	6 HOURS	YES	YES	YES	YES	YES
ICC - C. W. TAYLOR, ACTG DIR. BU. SAFETY & SERVICE	6	1	0	N.A.	N.A.	4½ HRS	YES	NO	NO	N.A.	N.A.

~~CONFIDENTIAL~~

SUMMARY OF AGENCY ACTIVITIES AT RELOCATION SITES (CONT'D)

AGENCY AND PERSON IN CHARGE AT SITE	NO. PARTICIPATING	NO. PROBLEMS SOLVED	NO. PROBLEMS INCOMPLETE	PROBLEMS REQUIRING DECISION OF HIGHER AUTHORITY	RECORD LOG KEPT AT SITE?	LENGTH OF TIME AT SITE	HIGH POINT CONTACTED?	OFFICE SPACE ADEQUATE?	OFFICE SPACE ALLOCATED?	OPERATING RECORDS AVAILABLE?	OPERATING RECORDS USED?
NACA - J. F. VICTORY EXEC. SECRETARY	12	N.A.	N.A.	N.A.	YES	21 HRS	YES	YES	NO	NO	NO
NSC - S. EVERETT GLEASON DEPUTY EXEC. SEC'Y	6	N.A.	N.A.	N.A.	YES	4 HOURS	YES	YES	YES	YES	NO
SSS - COL. DANIEL O. OMER	73	4	1	1	YES	6 HOURS	YES	YES	YES	YES	YES
SBA - CLARENCE COWLES, ACTG CHIEF, O&M DIV.	17	1	1	0	YES	19 HRS	YES	YES	NO	YES	N.A.
USIA - JOHN M. SMITH, ASST CHIEF, ADMIN. SVS DIV	8	1	0	0	YES	5½ HRS	YES	NO	NO	NO	NO
VA - JOHN S. PATTERSON DEPUTY ADMINISTRATOR	26	7	0	[illegible]	YES	6 HOURS	YES	YES	YES	YES	YES

N.A. NOT APPLICABLE OR INFORMATION NOT AVAILABLE.

~~CONFIDENTIAL~~

CI - 9

December 3, 1954

The White House
Washington

THE CABINET

Progress Report on the P.L. 480 Programs for Pakistan and Yugoslavia

For information of the Cabinet, attached is a Progress Report, preceded by a one-page summary, on the status of the agricultural surplus disposal programs for Pakistan and Yugoslavia.

This progress report will form the basis for some remarks by the Director of Foreign Operations at the Cabinet meeting this morning (Item 5).

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
Authority AGRICULTURE DEPT. LTR. 2/20/74;
Date STATE LTR 5/30/74
By DJH, NARS Date 6/10/74

CABINET PAPER
FOR INFORMATION

~~CONFIDENTIAL~~

December 3, 1954

THE CABINET

Progress Report on the PL 480 Programs for Pakistan and Yugoslavia

SUMMARY

The status of the programs being developed for Pakistan and Yugoslavia under Public Law 480, "Agricultural Trade Development and Assistance Act of 1954", is as follows:

Pakistan - Agreement has been reached by the Interagency Staff Committee as follows:

1. The Pakistan program of $38 million (market value) will be divided between Titles I and II, with $28 million being provided under Title I, and $10 million under Title II. The $10 million under Title II corresponds to $12 million of CCC cost.

2. Determination of the commodities which will be shifted to Title II will be worked out between FOA and the Department of Agriculture, without further reference to the Committee. (This has already been substantially completed.)

Negotiating instructions on the Pakistan program have been drafted, and were to be considered by the Interagency Staff Committee yesterday at a meeting which was canceled, based on the following breakdown between Titles:

Aid under Title I	($ million)
Payment of U. S. Obligations	2.8
Agricultural Trade Development	2.0
Procurement of Military Equipment	13.2
Economic Development	10.0
	28.0
Aid under Title II	10.0
	38.0

A copy of the proposed Draft Agreement, which has been cleared by all the agencies concerned, was handed to the Pakistani Ambassador yesterday.

Yugoslavia - An airgram containing a Draft Agreement and negotiating instructions, approved by all agencies concerned, was dispatched to the U. S. Ambassador in Belgrade yesterday. The Yugoslav program is based on a five-point plan presented to the Yugoslav delegation during their visit to Washington in mid-November by the Director of Foreign Operations, after consulting with the President. The essential points of the plan are set forth in the attached paper.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

CI - 9

December 3, 1954

The White House

Washington, D. C.

THE CABINET

Progress Report on the PL 480 Programs for Pakistan and Yugoslavia

For information of the Cabinet, the status of programs being developed for Pakistan and Yugoslavia under Public Law 480, "Agricultural Trade Development and Assistance Act of 1954," is as follows:

Pakistan - On the basis of a preliminary program developed in the Foreign Operations Administration, which received tentative approval in the Interagency Staff Committee of the Francis Committee, the State Department informed the Pakistani Delegation which visited Washington in October that aid would be given their country under Public Law 480, in the form of $38 million worth of surplus agricultural commodities (at market prices). During a discussion with the Finance Minister of Pakistan, a tentative breakdown of the commodities under consideration was presented and then transmitted to the Pakistani Government.

In subsequent meetings of the Interagency Staff Committee, however, differences developed within the Executive Branch with respect to the manner in which the aid program under PL 480 should be given to Pakistan. Disagreement centered principally on the question of whether aid should be given under Title I or Title II of the Act. The State Department felt that the Pakistan economy, suffering a serious imbalance at this time due largely to heavy defense expenditures undertaken at the insistence of the United States, was too overburdened to undertake obligations it would have to assume if the aid were given under Title I. The Department of Agriculture, on the other hand, opposed giving the program under Title II; the Foreign Operations Administration also opposed this arrangement, on the grounds that Title II should be reserved for "famine and other urgent relief requirements."

The State Department then presented the case to the Operations Coordinating Board, urging that the status of the Pakistan economy warranted a decision in favor of a pure grant aid program under Title II. The problem was considered by the Board early in November, and after considerable discussion, the Director of Foreign Operations offered a compromise solution whereby the Pakistan program would be given partially under Title I and partially under Title II.

On the basis of the formula offered by the Director of Foreign Operations, the Pakistan program was again considered this week by the Interagency Staff Committee and agreement was reached as follows:

1. The Pakistan program of $38 million (market value) will be divided between Titles I and II, with $28 million being provided Under Title I, and $10 million under Title II. The $10 million under Title II corresponds to $12 million of CCC cost.*

2. Determination of the commodities which will be shifted to Title II will be worked out between FOA and the Department

---

*The market value of a program is always less than the value which must be charged against the program ceiling, because the latter must be charged at cost (including carrying charges) to the CCC.

~~CONFIDENTIAL~~

of Agriculture, without further reference to the Committee. (This has already been substantially completed.)

Negotiating instructions on the Pakistan program have been drafted and were to be considered by the Interagency Staff Committee yesterday at a meeting which was canceled, based on the following breakdown between Titles:

Aid under Title I		($ million)
Payment of U. S. Obligations		2.8
Agricultural Trade Development		2.0
Procurement of Military Equipment		13.2
Economic Development		10.0
		28.0
Aid under Title II		10.0
	Total	38.0

A copy of the proposed Draft Agreement, which has been cleared by all the agencies concerned, was handed to the Pakistani Ambassador yesterday.

Yugoslavia - An economic delegation headed by Vice President Vukmanovic-Tempo arrived in Washington in mid-November for talks with U. S. officials, seeking relief for the Yugoslav economy in many sectors, but primarily, in wheat. Having passed through the worst drought since the war, Yugoslavia faced the necessity of having to import approximately 1.3 million tons of wheat; also, the extremely heavy short-term and medium-term debt burden is absorbing a large portion of their foreign exchange earned by exports. These problems, in the context of a lack of gold and dollar reserves and inventory reserves, have created serious economic difficulties for Yugoslavia.

Prior to the arrival of the delegation, a preliminary program for Yugoslavia for assistance under Public Law 480 had been developed by the Foreign Operations Administration and considered by the Interagency Staff Committee. The proposed program, when presented to the Yugoslavs, brought strong reaction from their side on the contention that (a) the volume of wheat proposed would not be nearly sufficient to cope with their needs; and (b) the proposed use of sales proceeds appeared to ignore their balance of payments problem; furthermore, the loan provision was regarded as constituting a possible internal interference.

In addition, there was not complete agreement within the Executive Branch on the manner in which the program for Yugoslavia should be given. All agencies concerned, with the exception of the Foreign Operations Administration, tended to support a position whereby a substantial portion of the program would be granted Yugoslavia under Title II.

The Director of Foreign Operations, after consulting with the President, offered a compromise solution in the form of a five-point plan, which was considered and agreed to by the Yugoslav delegation. On the basis of this plan, a Draft Agreement and negotiating instructions have been prepared and approved by all agencies concerned, and were dispatched by airgram to the U. S. Ambassador in Belgrade yesterday. The essential points of the plan are as follows:

A. Wheat and Cotton Assistance

1. Under PL 480, the United States will grant 450,000 tons of wheat to Yugoslavia (in addition to 400,000 tons already committed) under terms similar to those applicable to previous

grant aid, namely, 90 per cent for Yugoslavia uses and 10 per cent for U. S. uses.

2. The U. S. will review, during the month of February 1955, wheat availabilities prior to the new harvest in 1955. If these amounts are inadequate to meet essential minimum needs of Yugoslavia, the U. S. will then give friendly and careful consideration to an additional wheat grant.

3. 125,000 tons of wheat under Title I of the original 400,000 ton commitment will be handled on the same basis as outlined in paragraph 1 above,

4. The loan provision will not be applicable to local currency generated by the sale of agricultural surpluses under Sec. 402 of PL 665. Dinar proceeds from these sales will be utilized under current counterpart procedures in accordance with the 90%-10% distribution pattern.

5. If the Yugoslav Government wishes, it may purchase cotton for dinars up to the amount of $10 million. This transaction is at the option of the Yugoslav Government and would be a separate transaction from the grant wheat offered above. The proceeds of such cotton sales would accrue in dinars to the U. S. account for such uses as the U. S. may determine. In considering possible expenditures of these funds, the U. S. will take into account the current balance of payments situation of Yugoslavia.

The discussion with the Yugoslavs concluded with the exchange of views on certain additional problems: (a) offshore procurement; (b) short-term debt; and (c) creditor's conference, and with agreement on the part of the U. S. to continue to explore with the Yugoslavs their various economic problems in an endeavor to be helpful.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section
By BHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

December 10, 1954
9:05 A. M. -- 12:00 Noon

The following were present:

The President

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Deputy Sec. Robert Anderson
    (for Sec. Wilson)
Asst. Attorney General J. Lee Rankin
    (for Mr. Brownell)
Mr. Summerfield
Sec. McKay
Under Sec. True D. Morse
    (for Sec. Benson)
Under Sec. Robert Murray
    (for Sec. Weeks)
Sec. Mitchell
Sec. Hobby, and
    Under Sec. Nelson Rockefeller

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Dr. Burns

Mr. Clarence Randall, in part
Hon. Albert M. Cole, HHFA, and
    two assistants, in part
Hon. Roswell Perkins, HEW,
    and assistants, in part
Hon. Allen Dulles, CIA, in part
Adm. Strauss, AEC, in part
Dr. Scoville, in part

Gov. Adams
Mr. Shanley
Gen. Cutler
Dr. Hauge
Mr. Harlow
Mr. Morgan
Mr. Martin
Mr. Rabb
Mr. Minnich

Secretary Humphrey presented to the President the traditional "Presidential Medal" made by the Treasury Department for each President. He promised that the Treasury would provide each Cabinet member with a replica.

Foreign Economic Policy (CP-4 and CP-5) - Dr. Randall presented the proposed Executive Order regarding the Buy American Act with a statement that the formula developed at Cabinet last July had been cleared at staff level in the departments and agencies. He stressed the psychological need for adopting it in the very near future. The Director of the Budget called attention to Section 3 (a) which had been inserted for legal reasons by the Attorney General as an "escape clause". He hoped it would be understood that Cabinet members would not ride off on separate tangents under the authority of this clause, but would instead discuss thoroughly with other interested officials any major exceptions to policy which they proposed to make under it. When asked by the President if the clause would vitiate the effect of the Order, Mr. Randall replied in the negative. Mr. Rankin explained that the clause was deemed necessary because of the existence

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

of the basic Buy American Act and the constitutional delegation to Congress of control over foreign commerce. Sec. Dulles cited the opposite delegation of authority to the President over his Cabinet. Mr. Randall believed the draft effected a good balance between these delegations of authority.

The President suggested inserting the words "of urgent national interest" after "reasons" in the escape clause. Mr. Randall and Mr. Rankin agreed that such would be possible, although Mr. Randall expressed a doubt that it might limit the freedom of department heads to reject a bid because of other reasons such as the irresponsibility of the bidder. Mr. Rankin saw no danger in this because such cases were covered elsewhere in the Order.

Mr. Hughes reiterated the need for understanding that thorough discussion would be arranged for any major exception proposed under Section 3 (a), a matter which should appear in the Record of Action. The President stated his complete agreement.

Mr. Randall briefed his paper on the legislative program concerning foreign economic policy as constituting those parts of the program recommended to Congress last March but not yet achieved. He added his hope that emphasis would be placed on this program in the State of the Union Message and the special message to follow, and that it would be given top priority on the Congressional agenda subject only to priority for Treasury needs in regard to excise matters. He indicated that Committee hearings would be top level in quality and he pointed to the extensive growth in sentiment during the past year in favor of these proposals. In running over allied items, he stressed the program for incentives for the flow of investment in foreign lands, the reciprocal 5-year exemption proposal, the International Finance Corporation proposal, continued technical assistance both direct and through the United Nations, the implementation of the Geneva GATT Conference, revision of customs procedures, and finally the Japanese economic program.

The President asked as to the desirability of attempting in the State of the Union Message to paint a picture of the wonderful world which could be had by a free flow of capital. Mr. Randall and Sec. Dulles agreed that it would be desirable.

The Vice President questioned and was reassured that this program would be on the agenda of both legislative meetings next Monday and Tuesday. Mr. Stassen added a comment on the unrecognized strength of public opinion in favor of this program, and Mr. Dulles commented on the lack of organization among exporters who stood to benefit considerably from this program.

Legislative Program for Housing - After reviewing the success of legislation proposed in 1954, Mr. Cole indicated that his program would be concentrated on securing the continuation of public housing to the extent of 70,000 units over the next two years -- particularly necessary for aiding people dispossessed by the urban renewal program. He believed the public housing program should not end until the urban renewal program was well under way.

Mr. Cole noted in passing that the cost of this program would be less than what is spent on agricultural price supports or on a two-year highway program. Mr. Cole called attention to the complex minority housing problem and reported briefly on the conference he is currently holding.

No one wished to take exception to the proposal.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

Legislative Program for Health, Education and Welfare - With the able assistance of Mr. Perkins, who worked over some two dozen charts, Mrs. Hobby surveyed the entire field of national health services and related governmental programs. She pointed out that the Federal government has traditionally participated by means of aiding research, providing technical services, making training grants and giving scholarships, and making grants-in-aid to state and local programs. She proposed to continue and intensify these devices and at the same time to initiate two new approaches: (1) the Reinsurance Program which would be again sent to Congress this year with certain revisions designed to make it more tangible and thus easier to understand, and (2) a loan guarantee program for the construction of new hospitals and clinics and of facilities to replace those now obsolescent. She proposed also to sponsor a new matching grant-in-aid program which would aid in providing medical care for people on Public Assistance rolls -- up to a maximum of $3 per month per person on the rolls. Numerous technicalities were explained.

Mrs. Hobby predicted that the new program just cited would, in the long run, and when combined with related public assistance programs, result in easing rather than increasing the strain on the budget.

After the President called for comment, the Director of the Budget noted that he was going ahead with the President's suggestion of several days ago to find means of entering these new areas in such a way as to avoid having all the responsibility transferred to the Federal government from the state and local governments and private groups now bearing the responsibility.

He noted specific efforts towards combining the new proposals with other preventive medical programs of the Federal government and towards moving into these areas gradually. The President commented that he wanted the Federal government to fulfill its responsibility for leadership in these matters but in such a way that demagogues could not make the government responsible for all activity in them. He noted that the exact dividing line was not easy to find.

Legislative Program for Labor Problems - Mr. Mitchell recalled last year's commitment to increase the minimum wage level at the appropriate time. He noted that the 75¢ level had been set in 1949 and that there had since occurred increases in national income and productivity, in wages and salaries, and in the cost of living. He stated that all pertinent figures pointed towards increasing the level at least to 90¢ and that it could appropriately be increased to $1.00.

Secretary Humphrey recognized that the present time was appropriate for an increase in the amount as promised by the Administration, but went on to point out that increasingly difficult relations between labor and management were to be expected and that the government should be careful to avoid setting a pattern of wage and fringe benefits which, if followed in industry, would bring on serious inflation. He believed $1.00 would be excessive and he recommended further careful study, with omission of any specific recommendation from the State of the Union Message. Mr. Morse stated the

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

~~CONFIDENTIAL~~

proposal would have serious effects on agriculture. The President voiced his belief in moderation and his feeling that any sum under $1.00 would be moderate. Mr. Mitchell believed it essential for the President to set a specific figure. He forecast that the Government would eventually have to accept an increase to $1.00 or perhaps more. The Vice President cited the political problem and expressed favor for a $1.00 recommendation, if that would not adversely affect the economy.

The President wished further study given to the matter and directed Secretary Mitchell to include the Vice President in the discussions.

Secretary Dulles suggested, in regard to this and many other related matters, that the Administration could work for a better public understanding of the fact that the policies of this Administration did not require so large dollar outlays to achieve the same or better effect than with policies of the previous Administration. Bygone inflation often hid the fact that the earlier Administration was not accomplishing so much as the size of their appropriations suggested.

Sec. Mitchell then recommended that the Administration renew the proposals made last year in regard to the Taft Hartley Act. The President advised him to raise that question at the ensuing Legislative Conference. Sec. Mitchell noted very quickly the other Labor Department recommendations concerning the application of the 8-hour law on Federal projects, Mexican labor, Federal employee safety programs, D.C. unemployment insurance, cut-off date on Veterans Unemployment Compensation, transfer of the District US Employment Service Office to the control of the District government, etc.

Later in the meeting the discussion was reopened with regard to how the minimum wage would be treated in the Legislative Conference. The Vice President believed there would be little difficulty with Republicans with regard to increasing the amount, but that extension of coverage would be controversial. Sec. Humphrey recalled a previous Presidential comment to the effect that broadening the coverage increases the import of any change in level of the minimum wage. The Vice President believed it would be impossible as a practical matter to broaden the base.

Sec. Mitchell recalled a suggestion for establishing a second and lower minimum wage for those on whom coverage would be extended. Gov. Stassen opposed that principle.

It was agreed that Sec. Mitchell's treatment of the subject at the Legislative Conference would omit any specific references to a new level.

Other Legislative and Congressional Items - Mr. Morgan read the agenda for the Legislative Leadership meetings next Monday and Tuesday, and indicated that Cabinet members involved would be notified later today about detailed arrangements, particularly time of appearance.

Mr. Martin reported that considerable thought had been given to what might be the strategy of the political opposition and that a conclusion had been reached that opposition efforts would probably focus upon investigations of the Executive Branch. After noting the responsibility of each Cabinet member for his own department, he reported the suggestion that Cabinet members might well designate a responsible assistant to devote special attention to the handling of any impending Congressional investigations -- particularly the publicity elements. Such a person ought

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/21/78

#8

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

to be one with experience on the Hill and "expert" in the matter of investigations. Mr. Hughes and the President emphasized this suggestion.

The President commented at considerable length on his experiences in the Army and his conclusion that anyone threatened with an investigation should immediately insist on getting the full facts out. He excepted, of course, such sensitive agencies as the CIA. He stressed particularly the folly of attempting to cover up administrative errors. Following Gov. Stassen's comment on the difficulty of doing any business at all with the McCarthy Committee, the President commented that in such a case other related Committees in Congress should be quickly and completely informed.

Mr. Morse and Mr. Summerfield, respectively, noted the possibility of investigation of the P. L. 480 program and of various aspects of Post Office operations.

The President recalled the advice he had given Sec. Stevens in mid 1953 on the desirability of openly clearing up the Ft. Monmouth difficulties. Sec. Humphrey noted the hesitancy of his department to "break open" certain bad situations until sufficient evidence could be obtained to insure proper punishment to the offenders.

Mrs. Hobby asked about the mechanics of coordination with Congress with regard to giving our friends on the Hill an opportunity to introduce certain bills of interest to them. It was suggested by Mr. Martin that department heads could consult with the ranking minority members of appropriate Committees following the Legislative Conferences next Monday and Tuesday. When Mrs. Hobby suggested the undesirability of "scooping the President", he commented that plans for the coming year were sufficiently like those of last year that department heads could speak to the question appropriately without "scooping" him. Mr. Summerfield questioned the situation as regards changes in Committee membership. The Vice President assured the Cabinet that they could talk in advance to the top men of their Committees.

Gov. Adams noted that there would soon be dates set for Special Messages to Congress and that Cabinet members might say that the President can be expected to send a message on a certain day.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By jbc NLE, Date 11/21/78

~~CONFIDENTIAL~~

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA letter 11/2/78
NLE Date 11/21/78

L.A.M.
L. A. Minnich, Jr.

Copies to:
- ✓Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

~~CONFIDENTIAL~~

CP - 5/1

December 20, 1954

The White House

Washington

THE CABINET

Executive Order Prescribing Uniform Procedures for Determinations under the Buy-American Act

The attached approved paper is circulated for the information of Cabinet Members.

The revisions requested at the Cabinet Meeting of December 10, 1954 (Cabinet RA-5, December 16, 1954, item 1-A(1)) have been made together with certain other modifications.

The new letter from the Attorney-General is attached, together with the Executive Order as signed by the President on December 17, 1954.

The Order in final form has been circulated to the heads of all Government Agencies under cover of the President's memorandum of December 17, 1954; the Order has also been released to the press.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR ACTION

Office of the Attorney General
Washington, D. C.

December 13, 1954

The President,

The White House.

My dear Mr. President:

I am herewith transmitting the proposed Executive order entitled "Prescribing Uniform Procedures for Certain Determinations under the Buy-American Act".

The proposed order was returned for my consideration following the discussion of it at the Cabinet meeting of December 10, 1954. The proposed order has been further revised as a result of that discussion and as revised has my approval as to form and legality.

Respectfully,

HERBERT BROWNELL, JR.
Attorney General

EXECUTIVE ORDER

- - - -

PRESCRIBING UNIFORM PROCEDURES FOR CERTAIN DETERMINATIONS UNDER THE BUY-AMERICAN ACT

WHEREAS in the administration of the act of March 3, 1933, 47 Stat. 1520, 41 U.S.C. 10a - 10c; 41 U.S.C. 10d, commonly known as the Buy-American Act, and other laws requiring the application of the Buy-American Act, the heads of executive agencies are required to determine, as a condition precedent to the purchase by their agencies of materials of foreign origin for public use within the United States, (a) that the price of like materials of domestic origin is unreasonable, or (b) that the purchase of like materials of domestic origin is inconsistent with the public interest; and

WHEREAS it is desirable and in the public interest that such determinations be made on as uniform a basis as possible:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered as follows:

Section 1. As used in this order, (a) the term "materials" includes articles and supplies, (b) the term "executive agency" includes executive department, independent establishment, and other instrumentality of the executive branch of the Government, and (c) the term "bid or offered price of materials of foreign origin" means the bid or offered price of such materials delivered at the place specified in the invitation to bid including applicable duty and all costs incurred after arrival in the United States.

Section 2. (a) For the purposes of this order materials shall be considered to be of foreign origin if the cost of the foreign products used in such materials constitutes fifty per centum or more of the cost of all the products used in such materials.

(b) For the purposes of the said act of March 3, 1933, and the other laws referred to in the first paragraph of the preamble of this order, the bid or offered price of materials of domestic origin shall be deemed to be unreasonable, or the purchase of such materials shall be deemed to be inconsistent with the public interest, if the bid or offered price thereof exceeds the sum of the bid or offered price of like materials of foreign origin and a differential computed as provided in subsection (c) of this section.

(c) The executive agency concerned shall in each instance determine the amount of the differential referred to in subsection (b) of this section on the basis of one of the following-described formulas, subject to the terms thereof:

(1) The sum determined by computing six per centum of the bid or offered price of materials of foreign origin.

(2) The sum determined by computing ten per centum of the bid or offered price of materials of foreign origin exclusive of applicable duty and all costs incurred after arrival in the United States: provided that when the bid or offered price of materials of foreign Origin amounts to less than $25,000, the sum shall be determined by computing ten per centum of such price exclusive only of applicable duty.

more

Section 3. Nothing in this order shall affect the authority or responsibility of an executive agency:

(a) To reject any bid or offer for reasons of the national interest not described or referred to in this order; or

(b) To place a fair proportion of the total purchases with small business concerns in accordance with section 302(b) of the Federal Property and Administrative Services Act of 1949, as amended, section 2(b) of the Armed Services Procurement Act of 1947, as amended, and section 202 of the Small Business Act of 1953; or

(c) To reject a bid or offer to furnish materials of foreign origin in any situation in which the domestic supplier offering the lowest price for furnishing the desired materials undertakes to produce substantially all of such materials in areas of substantial unemployment, as determined by the Secretary of Labor in accordance with such appropriate regulations as he may establish and during such period as the President may determine that it is in the national interest to provide to such areas preference in the award of Government contracts:

Provided, that nothing in this section shall prevent the rejection of a bid or offered price which is excessive; or

(d) To reject any bid or offer for materials of foreign origin if such rejection is necessary to protect essential national-security interests after receiving advice with respect thereto from the President or from any officer of the Government designated by the President to furnish such advice.

Section 4. The head of each executive agency shall issue such regulations as may be necessary to insure that procurement practices under his jurisdiction conform to the provisions of this order.

Section 5. This order shall apply only to contracts entered into after the date hereof. In any case in which the head of an executive agency proposing to purchase domestic materials determines that a greater differential than that provided in this order between the cost of such materials of domestic origin and materials of foreign origin is not unreasonable or that the purchase of materials of domestic origin is not inconsistent with the public interest, this order shall not apply. A written report of the facts of each case in which such a determination is made shall be submitted to the President through the Director of the Bureau of the Budget by the official making the determination within 30 days thereafter.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

December 17, 1954.

#####

CP - 4

December 14, 1954

The White House
Washington

THE CABINET

Program for Foreign Economic Policy

The attached approved paper is circulated for the information of Cabinet Members and for action by those Departments and White House Staff Officers responsible for implementing its recommendations.

This paper was approved at the Cabinet Meeting of December 10, 1954 (RA - 5, Item 1-B).

Maxwell M. Rabb
Secretary to the Cabinet

December 7, 1954

MEMORANDUM FOR

THE PRESIDENT

The conclusions on foreign economic policy expressed here have been formed after weeks of discussion with representatives from every department and with many others who have been consulted.

These conclusions are based squarely upon the Special Message of March 30, 1954 which was in turn based upon the conclusions of the Commission on Foreign Economic Policy, but they were not arrived at by any pattern-mindedness. The subject was reopened in every aspect in an endeavor to find weaknesses in that program or important additions to it, but the end of the process has come to substantially the same result.

That there is serious distortion in the world economy is clear, and that the United States should do something about it is equally clear. We are impelled to that viewpoint by the short-term consideration of security, which requires economic strength among our allies, by humanitarian impulses of improving the lot of the underprivileged in the world, but most especially by the long-term consideration that an increasing volume of world production and trade is the best possible assurance for a rising standard of living for our own people.

This program seeks to mitigate the distortions in the world economy by the release of normal forces within the framework of free enterprise and competitive markets, and is the antithesis of global spending. We have ahead of us the best opportunity that has occurred in a generation to move the United States intelligently toward a more liberal trade position.

The whole approach to the subject should be non-partisan, and it is extremely important that foreign economic policy be the first subject taken up in the new Congress. It would seem imperative that a strong note on this subject be sounded in the State of the Union Message, and that in the matter of just a few days thereafter a special message be sent to the Congress outlining the specific legislative proposals.

The program recommended is now outlined step by step:

Tariffs

The Kean Bill should be reintroduced. It provides:

1. That the President shall have the power by multilateral negotiations to reduce tariffs on selected commodities by 5 percent per year for three years.

2. That where tariffs exceed 50 percent, they may be reduced through multilateral negotiations to that limit over the three-year period.

3. That where no substantial amount of the commodity is imported, the tariff may be reduced over the three-year period by 50 percent of the rate existing on January 1, 1945, with or without receiving reciprocal concessions.

The present escape and peril point provisions would be preserved.

The hearings on the Kean Bill, which should open the first week in January, should be supported by the marshalling of the largest, most impressive number of witnesses that can be gotten together.

Customs Simplification

1. The Jenkins Bill, revised, should be reintroduced to make intelligent standards for the valuation of imports.

2. The President should say that he is awaiting with interest the report of the Tariff Commission on simplification of the classification of imports for which the Customs Simplification Act of 1954 provided. A preliminary report is due by March 1st. Further recommendations for legislation may follow receipt of this report.

Investments Abroad

The whole world needs capital, and America is its largest source. It is important that the flow of capital abroad from our country be stimulated and under such auspices that it reach private hands as distinguished from government-to-government.

1. The proposed new International Finance Corporation, which will be a medium for providing capital to private enterprise, should receive full Administration support.

2. The proposal that an incentive to cause private American capital to go abroad might be created by a fourteen-percentage points tax credit on income earned from such foreign investments should be revised to meet the criticisms in the last session and reintroduced in Congress.

3. Further study should be given to find new ways to enlarge the outward flow of capital.

4. The Executive Branch should continue to insist that our diplomatic representatives abroad use every effort to strengthen the private enterprise concept in investment as well as in other economic activity.

Technical Assistance

The Administration should continue to support the principle of technical assistance to underdeveloped countries, meaning by this "know-how" and not capital. An immediate effort should be made in the new Congress to restore the funds required to support the multilateral technical assistance programs of the United Nations. The bilateral programs of the United States should be pressed vigorously.

Travel

The Frelinghuysen Bill to increase the customs exemption for the incoming tourist from $500 to $1,000 should be reintroduced in the Congress. The amount of money involved here is not large, but the psychological effect would be important in Europe.

Subsidies

The President should again restate the principle that, in his judgment, all costs required for our security should be directly borne to the greatest possible extent and express his disapproval for this purpose of disguised subsidies to American business.

Agriculture

The President should once more make it clear that the necessities of our agricultural program and of our foreign economic policy must be harmonized. We cannot suspend natural economic laws in the field of agriculture without having that cause distortion in our foreign trade.

GATT

A medium for multilateral negotiation with other countries in the field of trade is absolutely indispensable to an intelligent foreign economic policy. Without that, an extension of the Trade Agreements Act for three years with an intention to reduce tariffs gradually would be meaningless. The Administration should therefore give its full support in the presention of the renegotiated GATT to the Congress.

Convertibility

Convertibility of exchange, which is so urgently required for the development of a steadily rising volume of world trade, cannot be achieved until the present imbalance in international trade and payments has been corrected. No gold reserves in other countries will stand against the drain if their international payments as a whole are not in balance. That is why the foreign economic program proposed herein would make an important contribution to convertibility.

Japan

The economic plight of Japan is desperate. Unless she can find a way to live, she may be driven into the camp of the enemy. This problem should be solved through multilateral agreement among the free nations, by which each will do its part in opening sufficient markets to Japan to help her to earn her way. The President should fully support that concept.

Organization for the Development and Coordination of Foreign Economic Policy

The proposals on organization recommended to the President by Mr. Joseph Dodge in conjunction with the Advisory Committee on Government Organization and the Director of the Bureau of the Budget are heartily endorsed. Steps taken to improve the development and coordination of foreign economic policy within the Executive Branch would be a significant adjunct to this program.

Public Relations

In terms of public relations, it is important that the President early make clear to our people the essentials of his program for the coming year, and it is equally important that from time to time he re-emphasize the objectives and the steps to be taken.

Buy American

It is important that the Buy American Order be cleared at the Cabinet level as soon as possible and be made public.

Clarence B. Randall

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By EHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

December 17, 1954
9:05 A. M. -- 11:55 A. M.

The following were present:

The President

Vice President Nixon
Under Sec. of State Hoover
(for Sec. Dulles)
Under Sec. of Treasury Folsom
(for Sec. Humphrey)
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson, and
Asst. Sec. Earl Butz
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes, and
Deputy Director Brundage, in part
Dr. D. A. Fitzgerald
(for Gov. Stassen)
Dr. Flemming
Chairman Young
Dr. Arthur Burns

Under Sec. of Commerce Murray, in part
Arthur Page, in part
Arthur Schier, in part
Prof. Ernest W. Williams, Jr., in part
Richard Hall, in part

Under Sec. of Interior Davis, in part

Under Sec. State Saltzman, in part
John W. Macy, Jr., CSC, in part
Henry Duflon, CSC, in part
Director Allen Dulles, CIA, in part

Hon. Clarence Francis, in part

Gov. Adams
Mr. Shanley
Mr. Rockfeller
Dr. Hauge
Gen. Cutler
Mr. Lambie
Mr. Morgan
Mr. Martin
Col. Goodpaster
Mr. Rabb

The President opened the meeting with a reference to the traditional practices of wedge-driving which he believed would undoubtedly be intensified in the months ahead. He stated his desire to avoid anything that would serve to gag Cabinet members. He hoped, however, that Cabinet members would merely laugh at any wedge-driving efforts. He also recalled the success the Cabinet had had thus far in resolving differences of opinion by discussion in a friendly fashion.

Transportation Policy (CP-6) - In introducing the Cabinet Committee report Sec. Weeks emphasized the assignment of the Committee to determine whether regulations were excessive or were spread unevenly, particularly in regard to common carriers versus private carriers. He indicated that the study focused on transportation of freight to the exclusion of passenger traffic, that the Committee wished to defer an organizational study until policy should be defined, and that overseas air and surface transportation had been excluded. He highlighted the critical condition of the railroads. He

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

then summarized the report as recommending increased competition and the strengthening of the position of common carriers on land, water, and in the air.

There was extensive discussion of the proposed change in regard to agricultural exemptions from common carrier regulations. The President questioned whether all agricultural transportation might not be exempted, but Mr. Page indicated that to do so would upset the entire structure. Mr. Page recognized the farmers' need for flexible transportation, and then went on to point out that the itinerant trucker by virtue of his exemption can undercut the common carrier in a manner disastrous to the latter. He believed the potential re-direction of railroad activities toward long hauls re-emphasized the importance of the common carrier for short hauls.

The President cited the practical difficulties of administering the new regulations in respect to very short hauls. Mr. Page believed it could be applied on an inter-state basis, and Sec. Wilson suggested that a range of one hundred miles could be the decisive factor, whether intra-state or inter-state.

Sec. Benson argued against the proposed change on the basis of the seasonal, perishable, and neighborly cooperation factors peculiar to farm products. He believed the change would decrease rather than increase competition. He also cited the numerous barter transactions which would complicate administration. Mr. Wilson stated that Defense could accept Agriculture's viewpoint on this item if it would help secure approval of the remaining proposals.

The Vice President questioned whether this change would sufficiently strengthen the common carriers to be worthwhile. Mr. Schier pointed out the importance of the change and believed it was entirely in keeping with past Congressional action. He thought present practice of more advantage to food processors than to the farmer. The President summarized the discussion by saying that it seemed as if everyone agreed that the farmer should not be hurt by any proposed change in this matter.

Sec. Benson stated Agriculture's willingness to go along with Recommendation #8, restricting the authorization for the Secretary of Agriculture to intervene before regulatory commissions.

Mr. Weeks emphasized that unless some action were taken along the lines of the report, the railroads could not successfully continue under private operation. The President stated emphatically that he wanted no part of Government operation or ownership of the railroads. He believed greater consolidation of the railroads might help solve some of the problems.

Sec. Weeks and Mr. Page emphasized the importance of the long haul -- short haul change as a means of allowing the railroads to compete in the long haul area to which they are particularly adapted. Truckers would be compensated by the potential withdrawal of the railroads from short haul operations.

The President suggested the possibility that the ICC might introduce any necessary legislation and thus avoid the demagoguery and partisanship which would be certain to follow if the Administration introduced such

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

legislation. He stressed the need for finding the best approach and using it if any of the objectives of this report were to be secured. The Vice President underscored the comments about demagoguery and pinpointed the "big business" charge that would be made.

Sec. Benson intervened again to cite the appearance of private carriers when evident that common carriers did not fully serve the farmers' interests. He believed certain changes proposed by the Committee could result in increased costs to farmers at a time when the farmers were seriously squeezed. The President thought it might be advisable to seek the cooperation of farm organization heads in drawing up an acceptable program which would provide necessary relief to the railroads.

It was agreed that the Committee would go back to work on the report in order to determine what things were open to implementation at this time and to make specific recommendations for action which could then be considered by the Cabinet.

Dr. Flemming pointed out the great expectations that are aroused when a new Cabinet Committee is announced and a target date set for reporting. He hoped that several other existing Cabinet Committees could get away from the need of making a formal report and preparing a document for release to the press. The President agreed that it was not always wise to announce the establishment of a Cabinet Committee. Mr. Brownell also agreed on the desirability of avoiding a formal document. Governor Adams cited the need for having a target date in order to insure progress in the work of the Committee even though no public announcement might be made as to the date.

Water Resources Policy (CP-7) - Sec. McKay summarized briefly CP-7. Mr. Brownell expressed a desire to have Recommendations 3 and 4 coordinated with the Justice Department in particular regard to pending litigation.

Sec. McKay indicated that this interim report was not to be published. Mr. Wilson cited the need for a public warming-up on many aspects of these Cabinet Committee reports. He believed it desirable to establish a problem in the public mind and then allow time for comments and suggestions to be received prior to adoption of any broad, ideal solutions.

Governor Adams noted that a legal question concerning monopolies had turned up in regard to the Transport Policy report. He believed it desirable to have the Attorney General review all of these reports to identify and if need be advise on legal questions. The President believed such a practice should be standard. Mr. Flemming suggested that the Attorney General be made automatically a member of all Cabinet Committees but this was not followed up.

Mr. Brownell questioned the meaning of Paragraph 7 concerning delegation of authority, but Sec. McKay replied that it was designed to prevent subordinate officers from engaging in empire building without the knowledge of the head of the department. Mr. Brownell felt that the Administration would be crippled if it could only act according to a positive, detailed authorization by Congress, for Congress sometimes does not specifically provide for certain actions which have to be taken if authorized things

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHc NLE, Date 4-5-77

are to be accomplished. This led to a comment by Sec. Wilson that the Administration should go out of its way to call gaps in legislation to the attention of Congress and thus avoid empire building through the cleverness of Administration officials. Mr. Hughes cited a pertinent problem with regard to upstream conservation, and Sec. Benson agreed that it was desirable to take the matter back to Congress for review since the legislation was now about five years old.

In regard to Recommendation 9 for Federal participation in construction and financing, the President wished it made clear that the Federal Government would take the lead in certain appropriate projects. He was assured that it was so made clear in the full report.

Mr. Flemming saw a need in regard to Water Resources Policy for a vivid statement of the reasons for the Administration's deep concern and also one stating the broad objectives prior to setting forth any specific recommendations. Sec. McKay stated his awareness of the need for a good selling program.

P.L. 480 Program (CP-8) - Mr. Francis summarized the material in CP-8 and set the question as one of whether, the program was overly cautious or overly liberal.

The President inquired as to how much money would be returned to the United States through these operations. Mr. Francis believed only about 10% would come back in dollars. Mr. Francis then pointed out, and Mr. Hoover noted agreement, that this program had not been set up as a means of saving money on other programs. Mr. Hoover commented at length on the many difficulties with which this program is fraught and he illustrated with details from the wheat-for-Brazil program and the added involvements caused by the negotiations between Argentina and Brazil.

Sec. Benson questioned whether the program as set up really carried out the intent of Congress, particularly in regard to improvement of trade. Mr. Francis believed it did.

Mr. Flemming asked about the extent to which Title I had been used for supplementary stockpiling of critical materials. The President commented on his desire to see the United States exchange perishables for durables. Mr. Francis said much more could be acquired for the stockpiling if the door were to be opened in his other paper. Mr. Benson produced some figures concerning stockpile acquisitions but it developed that this involved Title III and that ODM paid for the material in dollars.

CP-8 was then approved.

Foreign Sales of Agricultural Surplus Commodities (CP-9) - Mr. Francis then set forth the State Department's objection to the proposal for offering some 20 million pounds of butter on the world market on a bid basis. He recalled the protests made a year ago in regard to the similar program for cottonseed and linseed oil, and he emphasized that a favorable result had been obtained despite the pessimistic predictions, and that the market price was now rising without the threat of an overhanging surplus.

Mr. Benson believed this program would enable a testing of the world market price and that it was to be done in such a small quantity that

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By BHC NLE, Date 4-5-77

there would be no danger of serious repercussions. In reply to the President, Mr. Butz pointed out that the effect of offering butter on a bid basis would probably result in a price offering of 38¢.

The President commented that the expected income from the sale of this amount was too small to risk the loss of good will on the part of our friends to whom the sale of their butter was a life and death matter. On the other hand, he believed that there must be some place in the world where our butter could be used without endangering our friends. In this connection, Mr. Hoover had no objection to the use of the P.L. 480 program. Mr. Benson emphasized that the current world price of 41¢ was undoubtedly too high because of governmental operations in the market, including our own government. Mr. Hoover requested time for the State Department to explore the matter with our allies involved. The President so directed, adding a comment that State should emphasize to our allies that the proposal was for experimental purposes and on a very limited basis.

Mr. Francis questioned how his Committee could dispose of surpluses except through programs such as this. The President emphasized the importance of other problems, such as world affairs, and commented that other members of our "family of nations" should not be compelled to pay for the domestic blunder of the United States when it got into the business of accumulating these surpluses.

Mr. Francis then presented CP-9. The President repeatedly emphasized his desire to exchange perishables for durables. Mr. Wilson wished to conduct barter operations, as did Mr. Weeks. Mr. Benson pointed out that the previous determination not to sell butter to Russia at a price lower than that paid by American housewives was obsolete now that our domestic price was much lower.

Mrs. Hobby emphasized the desirability of having any sales go to our friends rather than directly to Russia.

The discussion then turned to the phrasing of any announcements. When it appeared that publicity was not to be given to this decision, Mr. Francis emphasized that he could not keep the transaction secret and that the decision would have to be made in the knowledge that it would be public in the near future.

The Vice President commented that the whole problem of trade with the Iron Curtain countries was being increasingly recognized as one on which some progress had to be made. He recognized that the public relations problem would always exist but he felt that if the decision were to be in favor of a revised approach, the present was exactly the right time to begin making a little progress. He felt that controversy would surround the first step to be taken but that once the barrier had been broken further progress could be made without so great difficulty.

Mr. Wilson believed the action would be consistent with other more important decisions made as to the imminence of war.

The President noted that the United States undertakes spiritual, military,

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 1-5-77

and material programs in foreign affairs. He believed that the standard of judgment in regard to such material programs as are undertaken should be essentially that of "net advantage".

Mr. Hoover felt it necessary to note that this action by the United States would run in the opposite direction to the things we have been encouraging on other countries in the question of trade with Communist countries. Mr. Allen Dulles spoke to the same effect with regard to sales of rice to Communist China by Far Eastern countries.

The President commented that all facts in the matter did not seem to have been available for discussion, and he directed that the State Department examine the question more closely before any action was taken.

Sec. Benson questioned whether this outcome affected existing policy for selling soy beans for dollars to satellites of Russia. The President believed they should be sold to any country in the world for dollars or on a barter basis.

Overseas Personnel Management (CP-10) - Chairman Young hastily presented the Civil Service legislative recommendations concerning amendment of the Foreign Service Act, establishment of a career category for USIA, extending competitive Civil Service overseas, and resubmitting last year's proposals on allowances and home leave.

Mr. Summerfield objected strongly to an action taken last year which gave higher pay to Puerto Rican postal employees than to US employees in the District of Columbia. He hoped any similar action contemplated under this program would be duly coordinated with the Post Office. Mr. Young assured him it would be.

Mr. Saltzman set forth the State Department proposals to implement the Wriston Report and stated that Chairman Young concurred, as did the Bureau of the Budget at least in principle.

Mr. Young then presented the cost factors.

The discussion was terminated with a comment by Mr. Hughes that all of these items were provided for in the Budget now being prepared.

Special Budget Questions - This item was postponed because of the hour.

Minimum Wage - Sec. Mitchell reiterated that this question had been discussed further, and that CEA, Treasury and Labor recommended setting the figure at 90¢. Commerce Department recommended 85¢. In response to a query from the President, Sec. Mitchell indicated that 86¢ would be the specific level equivalent to the cost of living increase since the last determination.

The Attorney General believed it preferable for the President to make reference only to a "substantial increase" rather than a specific figure. The President believed he should be specific in the State of the Union Message, in part to serve warning against any unreasonable increase. The Attorney General believed that could be accomplished later. Mr.Wilson

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-5-76

believed the President should state the 90¢ figure. The President believed that he could generously settle on 90¢ now and eventually compromise on $1.00 if the Democrats attempted to outbid him. Sec. Weeks felt the 85¢ figure desirable since it would lessen the impact on marginal industries, particularly where coverage was being extended to them for the first time. The President recalled that first time coverage would not be at the same 90¢ rate. Sec. Benson termed the proposal a great shock to the farmers. The President noted that there would be no specific proposal as to how far extension of coverage should go, and he noted that wages in most of the country were already above 90¢.

The President concluded the discussion by saying that his mind had not been made up to say specifically 90¢.

Next Meeting - Governor Adams stated that the next meeting would be held on the third or fourth of January for the purpose of discussing the State of the Union Message.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

copy

Sd. C

THE WHITE HOUSE
WASHINGTON

December 14, 1954

Cabinet

MEMORANDUM FOR GOVERNOR ADAMS

Attached for your perusal, in advance of Friday's Cabinet Meeting, are two papers which are expected to be on the agenda:

1. The report of Secretary Weeks' Cabinet Committee on Transport Policy and Organization. Since this paper is rather lengthy, I feel you should see it ahead of time. I am familiar with this paper and have attended meetings of the Committee. If you should want me to brief you on it or discuss it with you, I will be glad to do so.

2. The Interim Report from Secretary McKay's Cabinet Committee on Water Resources Policy. I know that you are interested in this paper and would want to see it in advance. I will be glad to go over it with you if you desire.

The other papers expected to be on the agenda are:

1. A report (in two related papers) from Mr. Francis on the recent conclusions of his interagency committee concerning the overall Agricultural Surplus Disposal program.

2. A paper from Justice and State, being prepared at the request of the President, on the subject of returning alien property.

3. A paper from Mr. Philip Young on the Foreign Affairs Personnel System and on the Department of State Personnel Integration Program.

I will also send you copies of these four papers as soon as they are reproduced.

Max

cc: General Persons

Maxwell M. Rabb

ADMINISTRATIVELY RESTRICTED

CP - 6

December 8, 1954

The White House
Washington

THE CABINET

Revision of Federal Transportation Policy -

Report of the Cabinet Committee on Transport Policy and Organization

For consideration by the Cabinet, attached is the Report to the President from the Cabinet Committee on Transport Policy and Organization. This Committee, chaired by the Secretary of Commerce, was established by the President on July 12, 1954.

The Report is preceded by:

A. A Brief of the Report, which identifies its major recommendations;

B. The Transmittal Letter to the President from the Members of the Cabinet Committee, summarizing its terms of reference and explaining other important background information about the Committee's activity;

C. A Table of Contents to the basic Report.

The recommendations of this Report appear throughout Sections II and III.

Maxwell M. Rabb
Secretary to the Cabinet

ADMINISTRATIVELY RESTRICTED

CABINET PAPER
FOR CONSIDERATION

SUMMARY

The President's Cabinet Committee on Transport Policy and Organization was established on July 12, 1954, to undertake a comprehensive review of Federal policies and programs as they affect the ability of the various forms of transportation to provide their essential services to the public and meet the requirements of national security.

In response to these instructions, the Committee examined existing transportation policies and determined to focus its primary attention on those Federal policies which appear to be most urgently in need of revision. In the course of its review, the Committee drew freely upon the many studies made in this field and upon the knowledge and experience of Federal agencies concerned with transportation matters. Upon invitation, numerous statements on the subject were received from interested private groups.

The Government's responsibility is to provide a sound policy framework within which each form of transportation can develop to its maximum effectiveness in competition with all other forms. This situation does not now exist. A major cause is the obsolescence of many of our existing transportation policies which stem from the transportation system as it existed many years ago when the railroads had virtually a monopoly position. As a result our transportation system is not as strong or economically healthy as it must be to serve our public needs. Some of our major common carriers -- particularly the railroads -- are in a weakened financial condition.

Prompt steps must be taken to permit common carriers to overcome present difficulties if we are to avoid serious adverse consequences for the overall transportation system, and for the nation's economy and defense.

The principal emphasis of this report is that Federal policies, under present circumstances, should be amended to permit greater reliance on competitive forces in transportation pricing, and to assure the maintenance of a sound system of common carriers. It seeks to accomplish this objective, first, by proposing fundamental changes in the Interstate Commerce Act. These changes would principally:

(a) Amend the statutory statement of national transportation policy to assure a proper regulatory approach to present competitive conditions in transportation;

(b) Permit more flexible rate-making opportunities for regulated common carriers;

(c) Provide more uniform competitive conditions by eliminating or modifying some of the exemptions from regulation which now give unregulated carriers competitive advantages; and,

(d) Limit the regulatory basis for special rate concessions for the Federal Government.

In addition, the report proposes steps to reduce competitive advantages for any single form of transportation that may result from Federal promotional and subsidy programs. It further recommends the elimination of the existing Federal excise tax on public transportation, but recognizes that this must be considered in connection with the entire fiscal and tax policy of the Government.

The Committee feels that the problems in this field are urgent and warrant immediate action to carry out the recommended program.

CABINET PAPER
FOR CONSIDERATION

(ADMINISTRATIVELY RESTRICTED)

THE SECRETARY OF COMMERCE
WASHINGTON 25

December 7, 1954

The President
The White House
Washington, D. C.

My dear Mr. President:

On July 12, 1954, you established under my chairmanship a special Cabinet Committee on Transport Policy and Organization. You requested that we undertake a comprehensive review of Federal policies and programs as they affect the various forms of transportation and that our recommendations be submitted to you not later than December 1, 1954.

In the preparation of our report I have had the full cooperation of all members of your Committee. To assist us in our review of government transportation policies, I appointed a Working Group composed of outstanding individuals who have long had a close understanding of the Nation's transportation problems. Mr. Arthur W. Page, a Director of the American Telephone and Telegraph Company, New York City, served as Director of the Working Group.

I wish to commend each member of the Working Group for his contribution. Your Committee's unanimous report and recommendations are based on the study made by the Working Group.

After examination of the Nation's transportation problems, your Committee determined to focus its primary attention on those Federal policies, as distinguished from state and local responsibilities, which appeared to be most urgently in need of revision if the transportation industry of the United States is to maintain itself at maximum effectiveness. This decision was made more feasible by the fact that the Administration recently completed studies of civil air policy and maritime subsidy policy. Your Committee fully endorses the aviation policies set forth in the report of the Air Coordinating Committee and notes that many of the recommendations made in the maritime policy report have already been enacted by Congress and a number of other legislative proposals based on this study will be presented to the next session of Congress.

As a result of the work already completed in the fields of aviation and maritime policy, your Committee was able to focus its attention primarily on domestic surface transportation problems. In this connection, I wish to inform you that the Department of Commerce has under way a comprehensive study of the problems facing the intercoastal and coastwise shipping branch of the domestic transportation industry. I anticipate that this study will be completed early next year.

In examining the effectiveness and deficiencies of the domestic transportation system, it was clearly evident that two broad major areas of Federal policy required prompt revision. In brief, the principal emphasis of our report is that, in conformity with today's availability of a number of alternate forms of transport, Federal policies should be amended to permit greater reliance on competitive forces in transportation pricing and to assure the maintenance of a modernized and financially strong system of common carrier transportation adequate for the needs of an expanding and dynamic economy and the national security. In advocating more flexible rate-making opportunities for regulated common carrier transportation, we are mindful of the fact that they are required to meet at all times their common carrier service obligations. Moreover, our report does not propose any change in existing regulatory authority over the entrance of new enterprise in public transportation.

We have not proposed any changes in the Federal organization for the administration of transportation functions and responsibilities. It is our belief that any necessary organizational adjustments should follow the revision of transportation policies to permit determination of required changes in the Federal structure for their most effective administration. However, during the course of our deliberations, we have kept in close touch with your Advisory Committee on Government Organization.

Respectfully yours,

Sinclair Weeks, Chairman

Charles E. Wilson

Arthur S. Flemming

CP - 6

December 8, 1954

The White House

Washington

THE CABINET

Report of the Cabinet Committee on Transport Policy and Organization

For consideration by the Cabinet, attached is the Report to the President from the Cabinet Committee on Transport Policy and Organization. This Committee, chaired by the Secretary of Commerce was established by the President on July 12, 1954.

The Report is preceded by a Brief* and Table of Contents.

The recommendations of this Report appear throughout Sections II and III.

Maxwell M. Rabb
Secretary to the Cabinet

---

* - to be distributed shortly.

CABINET PAPER
FOR CONSIDERATION

TABLE OF CONTENTS

I. INTRODUCTION.. 1

- Obsolete Regulation.. 2
- The Essentiality of Common Carrier Transportation.......... 3
- The Subsidy Problem.. 5

II. RECOMMENDED ACTIONS.. 6

- Declaration of Policy.. 6
- Increased Reliance on Competitive Forces in Rate Making...... 7
  - (a) Maximum-minimum rates.................................... 7
  - (b) Suspension powers.. 9
  - (c) Repeal of long- and short-haul clause of the Interstate Commerce Act............ 10
  - (d) Multiple-car freight rates.................................. 10
- A Modernized and Financially Strong System of Common Carrier Transportation Must be Maintained............ 11
  - (a) Private carriage... 11
  - (b) Contract carriers... 12
  - (c) Bulk commodity exemptions................................ 12
  - (d) Freight forwarder associations............................ 13
  - (e) Agricultural exemptions..................................... 13
  - (f) Trip leasing... 14
  - (g) Passenger service deficit.................................... 14
- Ownership of One Form of Transportation by Another........... 16
- The Excise Taxes on Transportation Services Should be Repealed........ 16
- The Subsidy Problem - and User Charges.......................... 16

III. SPECIAL GOVERNMENTAL PROBLEMS.................................. 19

- Intervention of Executive Agencies in Regulatory Proceedings........ 19
- Special Rates... 19
- Navigational Clearance Requirements for Highway and Railroad Bridges........ 20

REVISION OF FEDERAL TRANSPORTATION POLICY

I. INTRODUCTION

Within the short span of one generation this country has witnessed a transportation revolution. All elements of the economy have been profoundly affected - investors in transportation property, geographic regions, distribution, individual shippers, the taxpayer, the ultimate consumers of goods and services. As late as 1920, the railroads held a virtual monopoly of intercity transportation with the exception of areas served by water. In striking contrast, there is available today a wide selection of transport methods for the movement of goods and people from one place to another with economy, expedition, and safety. The individual, whether traveling for recreation or business purposes, has a choice as between the private automobile, intercity bus transportation, air transportation, and railroad travel. The shipper, whether interested in moving raw products to industrial plants or distributing finished products to a nationwide market, is free to elect the use of his own trucks, common or contract carriers by highway, a continental and physically integrated system of common carrier transportation by railroad, pipelines, coastal and intercoastal services, inland water transportation, or the rapidly developing air cargo services.

In major respects, government has played a decisive role in these fast moving and dynamic changes in the organization, financing, and operation of the Nation's domestic transportation services. All levels of government have participated. The states have played a dominant role in the provision of an expanding and modernized highway system, although aided by the Federal Government through a program of grants-in-aid. The Federal Government has spent vast sums of the general taxpayer's funds for the improvement of rivers and harbors. More recently it has aided materially in the development of airports, the financing and management of a nationwide system of aids to air navigation, and has advanced substantial sums of money in the form of direct financial assistance for the development of air transportation.

The net result is a competitive system of transportation that for all practical purposes has eliminated the monopoly element which characterized this segment of our economy some thirty years ago.

During this same period, government has intensified its interest in transportation matters through the processes of public regulation. Paradoxically, the underlying concept of this regulation has continued to be based on the historic objective of restraining monopolistic abuses, despite the fact that the power of individual transportation enterprises to exercise monopoly control has been rapidly eliminated by the growth of pervasive competition. The dislocations which have emerged from the conflicts between the effects of governmental promotional policy on the one hand, and the restraining effects of public regulation on the other, have borne most heavily on the common carrier segment of the transportation industry.

No economy that is based fundamentally on mass production and distribution of products throughout a continental market can continue to prosper without a transportation system that is dynamic, efficient, and capable of delivering goods and people with safety, expedition, with a high degree of dependability, and at the lowest cost in the expenditure of manpower and other scarce resources. Historically, these requirements have been met most satisfactorily by common carriers, who by statute are charged with the heavy obligation to serve all individuals and shippers alike to the extent of their physical capacities, on known schedules at published rates, and without discriminations. The availability of this type of stable and dependable service is of equal importance in the day-to-day business operations, production and market planning of large and small businesses alike. Moreover, in a broader sense, the availability of this type of transportation system is essential to the orderly and healthful operation of a peacetime economy and is indispensable to the national security in the time of war.

Your Cabinet Committee has proceeded from these fundamental premises in its reappraisal of national transportation policy: namely, that the transportation industry operates today in the general atmosphere of pervasive competition; that adjustment of regulatory programs and policies to these competitive facts is long over-due; and that the restoration and maintenance of a progressive and financially strong system of common carrier transportation is of paramount importance to the public interest.

Although it remains true that there is some rail-bound traffic and some water-bound traffic, the bulk of this traffic is competitive in the commercial sense even though not directly among carriers serving the same points.

Even where there is no direct inter-carrier competition, the great development of competitive industry in various parts of the country has placed indirect competitive pressures on transport rates. For example, producer A may be impelled to ship all his output of, say, heavy steel, into a given market by rail, but producer B may be able to reach the same market by a lower cost water haul. The self-interest of the railroad serving producer A demands that transportation rates be maintained low enough to enable producer A to compete in the market.

Such competition is not confined to the products of different firms in a given industry; related industries compete for certain markets in which alternative goods and services may be substitutable. A notable example is competition among fuels such as coal, natural gas, and fuel oil. Thus high freight rates on rail-bound coal would directly affect coal's competitive position, and reduce the coal traffic of many railroads.

In short, competitive conditions have been substituted with the growth of new forms of transportation for most of the monopoly element in the railroad industry which in the past prompted so much of our present transport policy, both regulatory and promotional. Moreover, the alternatives of shippers are no longer confined to the regulated common carriers. Even comparatively small shippers have the possibility to substitute private transportation for at least a part of their traffic, and this opportunity of the shipper always stands in the background as a stimulator to the common carrier and as an ultimate regulator of what it can do in its own interest.

Obsolete Regulation

In many respects, government policy at present prevents, or severely limits, the realization of the most economical use of our transportation plant.

Notwithstanding the rapid growth and current pervasiveness of competitive elements in transportation, government policy holds regulated competitive forces within a tight rein. Railroads and motor carriers are most broadly competitive, their rivalry extending to the movement of nearly all commodities over short hauls and to a considerable range of traffic even on the longer hauls. Extensive competition also prevails among rail, water, and pipeline carriers for long-haul quantity movements of bulk commodities.

In the case of railroads and motor carriers, their economic characteristics are virtually opposite, the one characterized by heavy investment and large elements of indirect and fixed costs while the other, because it uses the public highways, requires little investment and encounters a high proportion of direct and variable costs. The one is capable of heavy long-haul mass transportation at very low costs while the other can afford superior service conducted in relatively small units but at comparatively high unit costs beyond the shorter distances. Clearly they are fitted for different roles in the development of the most effective transportation system of which technology and managerial skills are capable.

We do not find it possible to define the limits of the tasks which these and other forms of transport should perform in a transportation system which best meets the needs of the public. On the contrary, we believe that such a system, in the face of rapidly developing technology and a high rate of innovation, is to be achieved only by the exercise of a wide freedom for competitive experimentation which enables the purchaser of transportation to adapt both service and cost opportunities to his own requirements.

The Essentiality of Common Carrier Transportation

The public interest requires the maintenance of a sound and vigorous common carrier transportation service by all of the available means of transport, each operating within its respective capabilities and developing in accordance with the indicated demand for its services. Such common carrier service is indispensable, yet the financial position of some of the major common carriers is precarious and they lack the means to offer superior service and to apply technological advances with desirable rapidity.

Our national policy has not provided us with the best transport of which we are capable, either in rate of technical development or in adjustment of the several types of carrier to their areas of greatest usefulness. Both the present force of competition, including that from other than common carrier transportation, and the unusual obligations which are placed upon common carriers argue for relieving these carriers as far as possible from restraints designed to meet conditions which have, in recent years, either disappeared or been greatly altered.

With some exceptions, regulated common carriers are today assailed by a large and growing volume of competition by exempt for-hire carriers or pseudo carriers whose operations are largely of opportunistic character. These operations are conducted without the necessity to publish rates, with freedom to discriminate in rates and service, and with no obligation to serve the general public. This type of operation as it has become more widespread has operated not only to the detriment of common carrier transportation of all types, but also has impeded the organized and efficient marketing of many types of commodities - particularly products of agriculture. The continuing growth of this exempt carriage cannot be permitted if the Nation is to have a healthy common carrier industry which affords adequate nationwide transportation, adequate for our needs both in peace and in war.

The problem of keeping the railroad industry as a whole abreast of its opportunities for service and of the expected requirements of the national defense has been particularly baffling.

An appraisal of the efficiency of present and proposed transportation policy to promote the strength of this Nation for defense requires, first, some analysis of the probable utility of and burden to be placed upon each form of transport in the event of full mobilization or war. Although we may expect that all-out involvement will create a two-front war with some familiar aspects, we must also fully expect that in such an event the continental United States will be placed under heavy attack and will sustain severe damage both to its industrial production and to its transport facilities. Hence we must expect to face a situation without precedent in our history and with but limited experience abroad which has bearing on our potential problem.

All estimates of our economic potential under full mobilization conditions are subject to a considerable margin of error and, as traffic estimates are derived from them, the margin becomes greater when transport requirements are laid out. Nevertheless there can be no doubt that full use of our present economic potential would create a domestic traffic burden far in excess of any hitherto encountered. The expansion would be large and rapid and there is no such reserve of idle capacity as existed at the beginning of World War II, nor may it be expected that any substantial space of time will be afforded for a build up.

The possible effects of attack upon the United States in reduced production potential and in effect upon transport cannot be forecast. Although they are potentially severe, provision must be made to support with transport our full economic capability without allowance for reductions imposed by attack.

A general transportation policy does not concern itself with numerical capacity problems. It seeks rather to provide weight in the directions known to be requisite for a satisfactory defense posture. In that context two primary objectives may be noted: (1) to emphasize the growth and development of the several forms of transport somewhat in accord with the proportional demands that defense will make upon them, and (2) to support their financial well-being to the end that they will be physically in excellent shape and possessed of a desirable flexibility and some degree of excess capacity. The obverse is that a policy under which the transportation enterprises generally live in precarious financial position is not a policy calculated to enhance our preparedness. Similarly, a policy which has the effect of steadily weakening any form of transportation on which we must place major reliance in the event of war is not a satisfactory defense policy. As will appear our present policy suffers from both these deficiencies.

All indications point to the fact that it will be necessary for the railroads to absorb virtually all of the anticipated increase in domestic traffic and in addition take on substantial diverted loads in the face of conditions which prevent any material expansion of their physical plant or equipment because of the competition of higher priority items for available materials and productive capacity.

In the face of these expectations, the extent to which the railroad industry has declined in its share of the total transport load in recent years gives cause for serious concern. Although the present relative contribution of the railroads to total transportation volume is not greatly different than their 1940 contribution, there is not today the surplus of motive power and rolling stock which characterized the 1940 position, and this constitutes a major and significant difference in the situation now as compared with the base from which we launched our participation in the Second War.

Nevertheless, the railroads alone of our domestic forms of transport have a large flexibility to handle an expanded traffic with a minimum increase in their equipment. Whereas other forms of transportation as a rule require additions to equipment in direct ratio to an increase in traffic handled, this is not the case with the railroad industry. In World War II railroad freight traffic approximately doubled with but a minor increase in equipment. The traffic handled by motor carriers and by coastal water carriers declined almost in direct proportion to the decline of their equipment. These characteristics have not been altered in the intervening years. Any policy which strengthens the railroad base will tend to increase the built-in flexibility of our transportation plant.

Hence unusual public interest attaches to a national policy which enables the railroad industry to make its capabilities felt and to enjoy such success in a competitive field as those abilities may entitle it to.

A common difficulty in wartime is the maintenance of carrier operations other than those of the regulated common carriers, particularly in the motor carrier field. The supply, under rationing or other procedures, of fuel, tires, repair parts, and other items is difficult to handle with large numbers of unregulated carriers which do not normally report to any Federal body. It is, moreover, characteristic of these operations that they do not obtain an equally intensive utilization of equipment and manpower, hence they contribute less to a war effort than do common carriers in proportion to the input of scarce materials and equipment. A stronger common carrier segment attained in part by the substitution of common carriers for others, greatly simplifies the problem of wartime supply.

The Subsidy Problem

There has been much controversy as to whether some of these aids constitute subsidy and, if so, in what degree. It is certain, however, that programs such as the Federal provision of toll-free river and harbor improvements do establish an element of competitive inequality which is generally unfavorable to the railroads. Moreover, they have the effect of freeing motor, water, and air carriers very largely from fixed investment in a permanent way and thereby materially altering the cost characteristics of those forms of transportation. This affords them a flexibility which does not exist in the railroad industry, for government has largely accepted the fixed costs associated with their basic plant.

When, in the face of this situation, railroads are in considerable part barred from giving effect to their primary economic advantage - that of low-cost, large-scale transportation over relatively long distances - the public is deprived of access to a good part of the capabilities of this type of carrier. In turn, the carriers are deprived of an earning power which would enable them to keep their plants abreast of modern technology.

II RECOMMENDED ACTIONS

The major objectives of the following recommended actions and revisions of public policy affecting transportation are:

1. Increased reliance on competitive forces of transportation and rate making in order:

   (a) to have transportation enterprises function under a system of dynamic competition which will speed up technical innovation and foster the development of new rate and service concepts;

   (b) to enable each form of transport freely to reflect its abilities in the market by aggressive experimentation in rates and service in order to demonstrate to the full its possibilities for service to the shipping and traveling public.

2. Maintenance of a modernized and financially strong system of common carrier transportation.

3. By encouraging increased efficiency in carrier management, to produce significant economies in the performance of all transportation services which, among other things, would give the ultimate consumer the benefit of the lowest possible transportation costs.

4. And, finally, to guarantee that the national security will never be jeopardized by an inefficient transportation system during war or defense mobilization.

Declaration of Policy

The first and essential step in the recommended program is revision of the declaration of policy in the Interstate Commerce Act to alter its tone and to eliminate language which has been productive of severe restraint upon competitive rate and service experimentation by the several types of transportation subject to the act.

The present declaration of policy reads as follows:

> "It is hereby declared to be the national transportation policy of the Congress to provide for fair and impartial regulation of all modes of transportation subject to the provisions of this Act, so administered as to recognize and preserve the inherent advantages of each; to promote safe, adequate, economical, and efficient service and foster sound economic conditions in transportation and among the several carriers; to encourage the establishment and maintenance of reasonable charges to transportation services, without unjust discriminations, undue preferences or advantages, or unfair or destructive competitive practices; to cooperate with the several States and the duly authorized officials thereof; and to encourage fair wages and equitable working conditions;--all to the end of developing, coordinating, and preserving a national transportation system by water, highway, and rail, as well as other means, adequate to meet the needs of the commerce of the United States, of the Postal Service, and of the national defense. All of the provisions of this Act shall be administered and enforced with a view to carrying out the above declaration of policy." 1/

In major respects the ICC has relied on the "fostering" and "paternalistic" tone of the policy declaration to justify the substitution of its judgment for that of management, especially in the adjustment of competitive rates between highway, rail, and water carriers.

1/ The Interstate Commerce Act, Declaration of National Transportation Policy, 54 Stat. 899. (Emphasis supplied.)

The declaration of policy should be revised to make it clear that common carriers are to be permitted freedom, short of overt discriminatory practices, to utilize their economic capabilities in the competitive pricing of their service and that in all regulatory matters the Commission is expected to act as an adjudicator, not a business manager.

Such a revised declaration might read substantially as follows:

"It is hereby declared to be the national transportation policy of the Congress to encourage the maximum of competitive freedom for each form of transportation to demonstrate its potential to the public in service and in rates, subject only to the proviso that no carrier shall create unjust discriminations nor undue preferences or advantages, nor shall any carrier place in effect rates which fail to cover the direct ascertainable cost of producing the service to which the rate applies.

"Regulation of all modes of transportation subject to the provisions of this act shall be fair and impartial and applied only to the extent required for the protection of the general public and without exemption for commodities or particular classes of traffic, but protecting bona fide private carriage.

"All of the provisions of this act and other acts affecting transportation shall be interpreted, administered, and enforced with a view to carrying out the above declaration of policy."

For consistency with the declaration suggested above, section 500 of the Transportation Act, 1920,[2] should be repealed in order to eliminate an expression of intent particularly to foster transportation by water.

Increased Reliance on Competitive Forces in Rate Making constitutes the corner-stone of a modernized regulatory program.

Our proposals contemplate fundamental revisions of four elements of current statutory provisions relating to: (a) maximum-minimum rate control; (b) suspension powers; (c) the long- and short-haul clause (section 4); and (d) multiple-car freight rates.

(a) Maximum-minimum rates. Under current provisions of the Interstate Commerce Act, the ICC is authorized after hearing to prescribe the maximum and/or minimum rate or exact rate of common carriers subject to its jurisdiction upon a finding that the rate being investigated is unreasonable or unjustly discriminatory or unduly preferential. The Commission possesses like authority when it finds that any intrastate rate causes undue or unreasonable preference or discrimination against interstate or foreign commerce. In practical effect this means that upon a finding of the stated conditions, the ICC may determine and prescribe the precise rate, the ceiling or floor of the rates to be observed, or the range of rates (zone of reasonableness) considered lawful.

These rate controls were vested in the ICC during the period when the railroads were the sole or predominating intercity form of transportation. The principal purpose of these controls was to protect the general public against railroad monopolistic pricing or unfair or discriminatory rate cutting and to maintain reasonable rate relationships between competing shippers, markets, localities, or traffic. A related purpose was to prevent the accumulation of extortionate earnings by an industry vested with public interest. Regulatory authority over intrastate rates was granted to remove restraints on the free flow of interstate commerce.

---

[2] U. S. Code, Title 49, sec. 142.

With the changed character of transport organization and the development of pervasive regulated and unregulated service and cost competition for traffic (coupled with extensive government financing of highway, waterway, and aviation facilities), there is no longer a need in the public interest to continue these rate controls, subject to certain exceptions, if the Nation is to have a healthy common carrier industry, and to help assure the most economic use and needed development of our transport capacity.

The value of service today for any method of transport is in most instances fixed by the rates of competitors or by the cost at which the service can be privately performed by the shipper. As there are differences in the quality of service and in the ancillary costs to the shipper, forms of transport which have inferior service or service attended by additional costs borne by the shipper directly must have a cost advantage which is reflected in the rate to secure business. Although it was one of the objectives of the enactment of the Motor Carrier Act in 1935 to secure a controlled transition toward a cost-of-service rate structure, this objective has not been attained.

Analysis of railroad cost and rate relationships indicates that the railroads have a pronounced cost superiority over truck transportation on volume movements over longer distances. On the other hand, truck transportation, both from a service and cost standpoint, has equally marked advantages in the shorter movements, and for some type of commodities has a cost advantage for intermediate distances. However, analysis of the rate-cost relationships under which traffic is distributed as between rail and truck discloses striking inconsistencies and an essentially unhealthy situation for which regulation is at least partly responsible.

If the market is to determine the appropriate use of each form of transporation in accord with shippers' judgments of the utility to them in terms of cost and service, rates must be allowed to reflect cost advantages whenever they exist and to their full extent. Present regulatory policy defeats this prospect in large part since carriers, notwithstanding demonstrated lower costs, are permitted to do no more than to meet the competition facing them which, with some exceptions, means to name the same rate regardless of cost relationships. Especially where private or unregulated competition or the prospect of its establishment is involved, even this much opportunity may be permanently denied the common carriers because of the long delay in deciding cases when proposed reduced rates have been suspended for investigation, thus leaving the old rates in effect during the critical period.

Moreover, outstanding maximum rate orders covering a wide range of common carrier traffic have been important in causing carriers to seek revenue relief by the route of general rate level increases in ex parte decisions. The application of these increases has induced substantial loss of business before it has been possible to place reductions in force to meet particular competitive situations. In addition, regulation has held down a substantial portion of the common carrier rate structure to a level which appears to fail to cover the costs of the transport service rendered. While motor and water carriers can divest themselves of much such unprofitable traffic, railroads cannot do so and tend to get a large part of all such traffic.

In brief, these rate maladjustments, in part enforced by regulation, deprive the public of the economy which would result from a distribution of the traffic in accord with the real capabilities of the several types of carrier just as they deprive the shipper of many valid choices which would be available to him were rate competition more free from restraint as to its character and timing. There is, however, danger that unrestrained rate competition may result in undue depression of rate levels. Moreover, the shipper is entitled to protection against unjust discrimination and carriers are entitled to protection against discriminatory picking and choosing in the making of competitive rates.

Hence it is proposed to continue regulatory authority to prescribe minimum rates of carriers subject to the Interstate Commerce Act in the place of those found to be unreasonably low because not compensatory (rates which fail to cover the direct ascertainable cost of producing the service to which the rate applies) and to prescribe a relationship of rates which would avoid unjust discrimination or undue preference in the event the latter are found to characterize any existing rate relationship. This would include the relationship of rates to be maintained as between intrastate and interstate commerce where state commission have prescribed a basis of intrastate rates which is inconsistent with the basis currently in force on interstate traffic in a degree shown to burden interstate commerce. The authority to prescribe maximum rates would be deleted from the act together with the concept of the reasonable maximum rate. In the absence of authority to fix maximum rates, the necessity for the rule of rate making largely disappears.

Basic revisions of the Interstate Commerce Act are required to effect these changes.[3]

(b) Suspension powers. The power of suspension frequently has been used by competing carriers merely to delay decisions. Moreover, the standards which have been developed to determine the lawfulness of suspended schedules have become unduly restrictive, holding the carriers to the meeting of competition only and largely denying them the right to give effect to their full economic capabilities. In order to remedy this situation we recommend that the pertinent provisions of the Interstate Commerce Act be modified to provide that proposed schedules shall be subject to suspension only in the case of proposed reduced rates and only if it appears to the Commission that:[4]

1. The rates proposed, or some of them, fall below the direct ascertainable cost of performing the service to which it is proposed to apply them, or that

---

[3] Repeal that part of section 13 (4) of the Interstate Commerce Act which reads, "it shall prescribe the rate, fare, or charge, or the maximum or minimum, or maximum and minimum, thereafter to be charged," and provide in its stead that "it shall prescribe the relationship of rates thereafter to be maintained, "together with like changes in section 406 (f).

Section 15 (1) of the Interstate Commerce Act to be similarly modified to provide authority to prescribe minimum rates in the place of those found to be unreasonably low and to prescribe a reasonable relationship of rates in the event of a finding of unjust discrimination or undue preference. Similar revisions to be made in sections 216 (e), 218 (b), 307 (h), 315 (b), and 406 (b).

Delete from section 15 (3) of the act the following: "Or by carriers by railroad subject to this part and common carriers by water subject to part III, or the maxima or minima, or the maxima and minima, to be charged," in order to relieve such joint rates of any other restraint than those provided in sections 1 and 3 and comparable provisions in other parts of the act.

Repeal section 15a of the act in its entirety together with sections 216 (i), 307 (f), and 406 (d). Repeal of section 15a would remove one of the most objectionable features of rate regulation: namely, the Commission's substitution of its own judgment for that of carrier management as to "the effect of the /proposed/ rates on the movement of traffic by the carrier or carriers for which the rates are prescribed."

Amend sections 1 (4), 1 (5) (a), 1 (6), and the comparable provisions of parts II, III, and IV of the act in order to eliminate the requirement that rates shall not exceed a reasonable maximum level.

[4] Section 15 (7) of the act and the corresponding sections 216 (g), 218 (c), 307 (g), 307 (i), and 406 (e).

2. the carrier or carriers proposing the rate would create undue preference by its or their failure to extend a similar basis of rates to places similarly circumstanced with reference to competition. It is further proposed that the burden of proof be shifted to protestants and that the suspension period be reduced to three months, the rates to become automatically effective at the expiration of this period in the absence of a decision and order.

We recommend that the Bureau of Accounts, Cost Finding and Valuation of the ICC be strengthened to the full extent necessary for it to carry on its studies and research on transportation costs to provide current information for measuring cost competition in the transportation field and in order to form a basis for the Commission's judgment of what constitutes compensatory rates.

In addition, we recommend that the ICC's resources and means of developing current information covering transport operations and the movement of traffic be strengthened. This knowledge is essential if the Commission is to effectively carry out its necessary regulatory functions.

(c) We recommend repeal of the long- and short-haul clause of the Interstate Commerce Act.5/ Except on the Commission's special authority - usually after a hearing - the railroads for years have been prevented from practicing what have generally been regarded as specific forms of preference and prejudice, i.e., the charging of a lower rate from A to C than from A to the intermediate B, or the charging of a higher rate from A to C than the aggregate of the intermediate rates A to B and B to C.

These prohibitions might be justified if there were no competition for the railroads to meet or the competition were evenly distributed among their stations and equally potent at each.

The fact is, however, that competition exists between stations in varying degrees, and when the railroads seek (for instance) to publish rates which are lower to the further distant point which is located on water than to the intermediate point which is inland, they are not creating preference and prejudice. These are already present by virtue of the existence of water service to the further distant point and will continue - regardless of any action the railroads may or may not take. The only question is, are the railroads entitled to make themselves competitive or is the traffic to be handled to the further distant point exclusively by the competitive carrier?

Although the long- and short-haul clause is applicable to common carriers by water,6/ comparable provisions are not effective for motor carriers governed by the Interstate Commerce Act.7/

(d) Multiple-car freight rates. The prime economic benefit of rail transportation clearly lies in heavy long-distance and large-scale transportation. It is invariably cheaper to haul traffic in volume from one siding of origin to one siding of destination than to haul the equivalent tonnage in single car consignments. Similarly, heavier loading of cars produces lower per-ton cost. The public is denied these cost benefits when obstacles are placed in the way of lower rates for volume movements. Consequently, it should be made clear by amendment in section 2 of the act that the carriers should be permitted to make incentive minimum weights and multiple-car rates, provided that such minima and multiple-car rates are open upon equal terms to all who may wish to use them and further provided that such rates meet the compensatory test.

5/ Interstate Commerce Act, section 4.

6/ Common carriers by water, subject to part III of the Interstate Commerce Act.

7/ Part II of the Act.

REVISED

A Modernized and Financially Strong System of Common Carrier Transportation Must be Maintained

Historically, common carrier service has been recognized as the hard core of our transportation system. Yet, in recent years there have been a number of developments that have mitigated against the maintenance of a financially strong system of common carrier transportation.

Among such developments are the rapid growth of privately operated fleets of trucks by industry and agriculture, the relatively unregulated status of contract carrier service, statutory exemption of the transportation of various commodities from the regulatory controls imposed on common carriers and the practice of trip-leasing motor vehicles. All of these developments have had the effect of diverting profitable sources of traffic from the common carriers. To this must be added the large deficits resulting from the enforced maintenance of unprofitable passenger services by the railroads.

Manifestly, if we are to have a sound and financially strong common carrier transport system so necessary to the continued expansion of our national economy and the even greater need during emergencies, policy revisions must be made to reduce or entirely eliminate these elements of the transportation system which tend to undermine the ability of common carriers to perform their obligations. To this end we make the following recommendations:

(a) Private carriage. We recommend that part II of the Interstate Commerce Act 8/ should be revised to exclude from the private carrier category all carriers which perform any transportation for compensation, including carriers which purchase commodities only for transportation and subsequent sale. Stated another way, private truck operations should be limited to the distribution of the owner's products and supplies from plants, the distribution centers, and the return haul of materials to be used in his own operation.

A primary problem in transportation at present concerns the infringement of private carriers upon the field of common carriage and the need for remedial action in the form of more effective regulation of private carriers or enactment of legislation to delineate more adequately the proper place and status of such carriers.

Legitimate private carriage is not in issue. The practice of shippers handling their own merchandise is sanctioned legally and is frequently sound economically. The problem is created by those practices of private carriers which undermine the common carrier transportation system which must bear the main burden of the Nation's transportation requirements in peace and war.

The Commission has pointed out that where so-called private carriage is a subterfuge for engaging in public transportation, it constitutes a growing menace to shippers and carriers alike; is injurious to sound public transportation; promotes discrimination between shippers; and threatens existing rate structures.

8/ Section 203 (a) (17).

(b) Contract carriers. The definition of "contract carrier by motor vehicle" and contract carrier by water provided in the Interstate Commerce Act should be sharpened to make clear that such carriers are of a specialized nature to the extent that they clearly substitute for a feasible private carrier operation and that they do not perform services which would ordinarily be undertaken by common carriers. 9/ Provision should be made for conversion, after hearing, of existing contract carrier permits to common carrier certificates where the carriage is not that of a contract carrier as above defined, and where the holder of the permit makes application within a specified time and shows that he is engaged in *bona fide* transportation for hire which is not contract carriage as so defined.

To further assure that the motor contract carrier will operate in its appropriate role in the transportation system, part II of the Interstate Commerce Act should be amended to require the filing and publication by contract carriers of actual rates, charges, and regulations affecting transportation under their contracts or the publication of those contracts in entirety at their option. 10/

The purpose of these recommendations is to protect common carriers against contract carriers who are in effect engaged in common carrier operation without having had to demonstrate the "public convenience and necessity" of the service offered.

There has developed an area of conflict between certain motor contract carriers and competing rail and motor common carriers over whether the contract carriers are not, in many instances, actually performing a common carrier service. These contract carriers are taking substantial blocks of traffic in their service areas through excessive numbers of shipper contracts constituting in effect common carriage. The provisions of part II of the Interstate Commerce Act with respect to publication of rates are also more lenient to contract than to common carriers. The former are required only to post their minimum rates in contrast to the requirement that actual rates of common carriers be published. Due to this disparity it is not possible for common carriers to compete effectively because they have no means of determining the actual rate charged by contract carriers. For this reason, common carrier interests advocate with good reason that the Interstate Commerce Act should be amended to require the publication of actual rates charged together with the contracts and other descriptions of the services to be rendered by contract carriers.

(c) Bulk commodity exemptions. Part III of the Interstate Commerce Act exempts from regulation the carriage of commodities in bulk when "... the cargo space of the vessel in which such commodities are transported is being used for the carrying of not more than three such commodities." For purposes of the act, barge tows are considered as single vessels. Economic regulation is applied to bulk commodities in a vessel or a tow when more than three commodities or non-exempt commodities are being carried. Tanker transportation of liquid cargoes in bulk is also exempt from regulation.

We recommend repeal of the bulk commodity exemption. 11/

We recommend further that the Interstate Commerce Act should be amended to make clear that not minimum but the actual rates, charges, and practices of contract carriers by water shall be filed and published and that no rates shall be charged except those so filed and published in tariff form or by publication of actual contracts. 12/

9/ Sections 203 (a) (15) and 302 (e).
10/ Section 218.
11/ Section 303 (b) of the Interstate Commerce Act.
12/ Section 306 (e) of the Act.

Both railroads and many common carriers by water contend that their competing service in the carriage of bulk commodities is fully regulated, including the requirement that actual rates be published. Bulk water carriers in exempt operations, on the other hand, need not publish their rates and are able to obtain competitive traffic by quoting lower than the published rate. Common carriers by water contend that if they are to obtain the benefits of the exemption they must segregate their tows to exclude non-exempt commodities. This procedure is often impossible, in which case they must quote published rates with the risk of losing the business to another carrier quoting a secret exempt rate. It is claimed that conformity with the requirements for exemption results in operating inefficiencies such as smaller tows, and poorer service to some shippers.

(d) Freight forwarder associations. We recommend revision of part IV of the Interstate Commerce Act to eliminate the commodity exemption consistent with the proposed reduction of this area of exemption under part II of the act. We also recommend elimination of the provision which exempts from regulation shipper or shipper associations involved in consolidation or distribution of volume freight on a non-profit basis for the purpose of securing lower rates. The associations in question, although termed non-profit, in fact absorb costs which include overhead, and the expenses involved go beyond those paid to a carrier. In effect, this exemption opens the way to establishment of non-regulated forwarding enterprises.13/

(e) Agricultural exemptions. We recommend amendment of the Interstate Commerce Act to eliminate the motor carrier commodity exemption, except for bona fide private transportation of their own products and supplies by farmers, fishermen, and breeders of livestock.14/

As the exemption now stands, all interstate carriage of commodities determined by the Commission to be exempt may be carried by any motor carrier without regulation of any kind, except for observance of the safety provisions of the Interstate Commerce Act. Vehicles carrying exempt commodities, after they have discharged their exempt cargo, may be used by certificated carriers in their regular authorized operations, or if owned by non-certificated carriers they may be leased to certificated carriers for use in their scheduled operations. In the haulage of exempt commodities there is no requirement to publish or make public rates charged or maintain maximum or minimum rates.

The above circumstances have led to serious abuses constituting unfair competition with railroads and regulated motor carriers. Railroad transportation of agricultural commodities is subject to full regulation including the necessity of maintaining published tariffs. Exempt carriers can easily underbid the railroads for this traffic due to the secrecy of rates made possible, the freedom to select traffic and points served, and the leasing practices which provide exempt haulers with revenues on their return trips, making the haulage of the exempt commodities less costly. At the same time, motor common carriers of non-exempt commodities may lease vehicles from non-certificated carriers hauling agricultural products at rates below the cost of owning and operating their own equipment. Such a practice gives the lessee certificated motor carrier a cost advantage and intensifies his competition with the railroads as well as motor common carriers operating with owned equipment.15/

13/ Sections 402 (b)(2) and 402 (c)(1).

14/ Repeal subsection (6) of section 203 (b), and amend subsection (4a) to include fishermen and breeders of livestock along with farmers.

15/ The Department of Agriculture points out that the agricultural industry cannot avoid or control peaks in production to the same degree that is generally possible with manufactured products. Certain agricultural products are perishable and must be moved quickly. Many farms are not accessible to established common carrier routes or to delivery and receiving points on those routes. In these circumstances, the Department of Agriculture believes (1) that the adoption of the recommendations might substantially and unnecessarily increase transportation costs to agriculture and impair the transportation service which an efficient and prosperous agriculture must have; (2) that in establishing a National policy conducive to building a sound, efficient, and financially strong common carrier system with a minimum of Government regulation the special needs of particular industries should be recognized; and (3) that the recommendations for placing more stringent regulations on agricultural commodities is inconsistent with the major objectives of the report as stated on page 6.

(f) Trip leasing. We recommend addition to part II of the act a provision that common or contract motor carriers may augment their equipment by the lease of vehicles provided that such leases are for a period not less than thirty days and provided further that such leased vehicles must be, during the term of the lease, exclusively and continuously under control of the lessee. Such provision is not to prohibit the interchange of non-powered trailers or semitrailers between motor common carriers under just and reasonable provision for compensation per diem or upon mileage.

Trip leasing is the practice under which authorized motor carriers utilize equipment which they do not own, frequently in operation beyond their authorized territory. The ICC has been hampered in the detection of such unlawful transportation by the absence of appropriate regulations governing lease and interchange practices. A related difficulty is private carrier leasing of its vehicles to a for-hire carrier for a movement back to or in the direction of the private carrier's terminal. Under such practices, a given operation consists of both private and for-hire carriage. 16/

(g) Passenger service deficit. The railroads have suffered for many years from a persistent and creeping malady of unprofitable passenger service operations. The provision of freight and passenger services by railroads constitutes a common enterprise. Consequently, the actual losses incurred from passenger service operations must be borne from earnings realized from freight service. Thus, in final analysis, the railroad shippers of the country are being required to subsidize in substantial and growing amounts those who benefit from the utilization of passenger train services.

Class I railroads have incurred a deficit in their passenger service operations every year since 1930 with the exception of the war years, 1942-1945. The deficit averaged about $250 million annually between 1936 and 1940, with the annual average rising to nearly $625 million between 1948 and 1953. The peak deficit - $705 million - occurred in 1953. These figures, however, fail to reveal the full extent of the total deficit because individual company and train losses have been offset in part by trains showing passenger profits. Moreover, these data make no allowance for return on investment in passenger service facilities nor do they reflect the cost of transporting fuel and materials for the benefit of the passenger service.

These substantial losses have an extremely adverse affect on the overall financial position of the railroads. In unregulated business enterprises, prudent management would abandon even at the loss of capital investment, any plant or product which for any period of time operated at a loss or showed no prospect of becoming profitable. The common carrier transportation industries, however, faced with a similar situation, are not permitted to operate as prudent business managers. For, under the public utility theory, common carriers certificated either by the Federal or state authority, are required to maintain satisfactory service for all segments of their transportation plant for which public authorization has been given.

The burden of this requirement is illustrated by the Commission in its 1952 annual report to the Congress which states:

> "The total revenues from freight service in the year 1951 amounted to $8,933 million. If the passenger-service revenues had been equal to the passenger-service costs, which assumes that the deficit is entirely eliminated, the carriers could have reduced their freight charges for all freight services by about 7 percent ($680 million divided by $8,933 million) without affecting their 1951 net railway operating income from the combined freight and passenger services."

By forcing railroad freight rates to higher levels, the deficit seriously impairs the railroads' ability to compete pricewise with other transportation media.

16/ The Department of Agriculture believes that the present procedure with respect to trip leasing is economically justified and that it is an essential part of the agricultural exemptions for the reasons discussed in footnote 15/, page 13. The Department sees no objection to reexamination of the trip leasing practices but believes that that must be done in the light of the special needs of the agricultural industry and the desirability of a minimum of Government regulation.

The passenger deficit is not attributable solely to the transportation of persons. The ICC estimates that in 1952 about 28 percent of the passenger deficit resulted from the so-called head-end services, i.e., mail, express, and baggage, with the remaining 72 percent attributable to passengers proper.

Efforts in recent years to reduce the mounting passenger deficit have met with mixed success. The ICC estimates that the increased mail pay rates prescribed in 1951 and again in 1954 provide the railroads with sufficient mail revenues to cover out-of-pocket costs assignable to that service and in addition yield $23 million a year, based on the 1952 volume of mail handled by the railroads. In 1954 the railroads accepted a lesser increase than they originally requested fearing that any greater increase would cause substantial diversion of mail to motor trucks and air carriers.

The Railway Express Agency is wholly and jointly owned by the railroads. Under a uniform pooling agreement, the REA's revenues are used first to pay all its expenses including payments to non-railroad carriers and the balance (called express privilege payments) is divided among railroads in payment for hauling express traffic. Express privilege payments fall short of compensating the railroads for the cost of transporting express matter. The many increases in express rates have led to a diminished volume of express traffic with the result that there has been little material improvement in railroads' express earnings. Size and weight limitations on parcel post imposed by Public Law 199, effective January 1, 1952, have aided somewhat in reducing the express deficit.

The transportation of persons accounts for the greatest share of the passenger deficit. Passenger traffic as measured in revenue passenger-miles has declined steadily from the 1944 wartime peak of 95.5 billion to a level of about 31.7 billion in 1953. (Slight gains were registered in 1951 and 1952.) Yet passenger-miles in 1953 were close to the average of 33.5 billion for the period 1925-1929 when the passenger service was profitable. However, faced with rising operating costs, the railroads have found it difficult to raise the level of passenger fares because of competition encountered from the airlines, buses, and private automobiles.

Many trains, particularly those engaged in short-haul local operations do not produce enough revenues to pay their out-of-pocket costs. Furthermore, in many cases such operations are no longer needed because of the development of alternative transportation service, particularly by improved highways. Curtailment and abandonment of these unprofitable trains offer a means of substantially reducing the passenger deficits. Service abandonments, however, are almost uniformly subject to approval of state regulatory commissions. These commissions have shown reluctance to grant permission because of opposition to the service curtailment from local interests and railroad employees. The ICC has held that its jurisdiction extends only to the complete abandonment of line and operations.

Although we have been unable to discover any complete solution for this perplexing problem, there appear to be two lines of attack which might alleviate the situation somewhat. First, we recommend revision of the Interstate Commerce Act to provide that where the Commission finds that continuance of unprofitable passenger stations or other facilities or services imposes an undue burden upon interstate commerce, and that adequate service by other forms of transportation are available to meet the public need, it may order the discontinuance of such services or facilities irrespective of the law of any state or the order of any state authority. 17/ The purpose of this recommendation is to overcome the demonstrated reluctance of state commissions to permit curtailment of service because of the articulate opposition of local interests.

17/ Section 13.

Ownership of One Form of Transportation by Another

We recommend repeal of the proviso of subsection (b) of section 5 (2) of the Interstate Commerce Act to eliminate the special provisions relative to railroad control of motor carriers in order to permit rail participation in motor carrier operations upon the same terms as such participation is open to others. 18/

The purpose of this recommendation is to permit common ownership of rail and motor transportation subject only to the same showing of "public necessity and convenience" imposed on the other form of transportation proposed to be operated.

The Excise Taxes on Transportation Services Should be Repealed

The Federal Government now imposes the following taxes on domestic transportation: transportation of persons - 10 percent; transportation of property other than oil by pipeline and coal - 3 percent; transportation of oil by pipeline - 4½ percent; and transportation of coal - 4 cents per short ton. Users of transport services pay these taxes, and carriers collect them. 19/

The Treasury Department advocates retention of transportation excise taxes because of the substantial volume of revenues produced. However, it is clear that the revenue producing aspects of these taxes must be weighed against the fact that their imposition severely discriminates against the commercial carrier in favor of private carriage. The net effect of this discrimination is to weaken the competitive position of commercial carriers, particularly the regulated common carriers. However, either repeal or reduction must be considered in connection with the entire fiscal and tax policy of the Government.

The Subsidy Problem - and User Charges

The revisions in transportation policy proposed above would in the judgment of your Committee have the long-run effect of encouraging competitive experimentation between the several types of carrier to determine, on the basis of the service and rates offered, the proper role of each. However, we are equally convinced that the true economic capabilities of the several forms of transport cannot be realized so long as substantial subsidy is extended to any competitive transportation agency.

In this troublesome area of transportation policy there are, however, encouraging signs that we are moving toward an eventual solution of the subsidy problem. Of primary significance is the fact that of the thirteen domestic truckline air carriers, only four of the smallest now receive direct financial subsidy through air mail payments. Moreover, recently approved Reorganization Plan No. 10 provides, for the first time, an accounting separation of service pay from air mail subsidy. The purpose and result is to bring the amount and nature of this subsidy into the open, and to require a separate appropriation to support the subsidy program. As the major domestic airlines achieve economic self-sufficiency it will be feasible gradually to recoup a portion of the large cost incurred by the Federal Government in maintaining the airways system.

18/ For consistency, also repeal subsection (d) of section 5 (2).

19/ Except in the case of oil pipeline transportation where carriers pay the tax.

The states have for many years been financing the bulk of their highway development through revenues derived from highway users in the form of gasoline taxes and license fees. However, wide areas of controversy remain as to whether or not the total cost is properly allocated between the heavy-duty truck and bus operators, at one extreme, and the private automobile user at the other. This controversy will not be fully resolved until we have available more refined analysis of the joint-cost problems involved and more dependable data on the incremental cost of highway construction, engineering design, and highway use characteristics. However, objective research is moving forward in this field.

Significant, although not necessarily conclusive, findings may be expected from the unique series of cooperative tests which the Highway Research Board and state highway officials are conducting. The objective is to determine, by scientific measurement, the impact of various sizes and types of trucks on highways of different design characteristics; and to utilize these findings as an aid in determining how the cost of highway construction and maintenance should be allocated among the various groups of users.

Your Committee urges that engineering and economic research along these and related lines be aggressively pursued since it is evident that so long as any element of subsidy remains in the highway program the equality of competitive opportunity which is sought in our proposed program cannot be fully achieved.

Federal financing of river and harbor improvements constitutes the one area in which no real progress has been made toward elimination of the distorting impact of preferential subsidy treatment. For all practical purposes, the elimination of subsidy elements within this area rests within the power of the Federal Government. Consequently, we recommend that tolls be imposed on all internal waterways which have been improved by the Federal Government, designed to recoup the current operating and maintenance cost of each such channel and to contribute the maximum possible to the amortization of the Federal investment in such projects. When the navigation facility is a portion of a multiple purpose project, then the burden which it is designed to recoup is that assigned to navigation. No channel, the toll revenue from which will not cover the annual operating and maintenance cost, should continue to be maintained.

All new projects, whether for the provision of new navigable channels or the improvement of channels already in existence, should be referred to the Department of Commerce before legislative authorization is sought. Each such project should be reviewed by the Department and its report and findings thereon should accompany requests for legislative authorization. In reviewing proposed projects the Department shall consider:

1. Whether the proposed project will be self-liquidating within a reasonable period of time from tolls revenue, and

2. Whether the public interest requires construction of the proposed project in the light of other available transportation.

In the letter of transmittal, your Committee indicated unanimous approval of the general program and policies set forth in the report on Civil Air Policy, the principal recommendations of which accompany this document. 20/ However, it seems appropriate here to make more detailed reference to the portions of that report dealing with the problem of subsidies and user charges.

20/ See Appendix A.

Aviation is the one form of domestic transportation receiving direct Federal subsidy payments (in addition to the free use of facilities). The airlines have grown substantially since this subsidy program was authorized in 1938. In the report on Civil Air Policy, prepared by the Air Coordinating Committee and accepted by the President in May 1954, this Administration has recommended certain modifications in airline subsidy policy to reflect the industry's present status, and to assure a sound relationship to overall transportation objectives. While recognizing a need for continued airline subsidy internationally, the report has called for the orderly reduction, and eventual elimination of domestic airline subsidies. A controlling principle of this report was expressed as follows:

> "The national interest in promoting air transportation must take account of the parallel national interest in the adequacy and economic soundness of all forms of transportation. This principle has assumed increasing importance as air transportation itself has grown in size and in competitive impact. In the long run, the public can best be assured of maximum economy and efficiency of the over-all transportation system if each form of transportation is required to compete with other forms on the basis of inherent service advantages and true economic costs."

Amendment of subsidy provisions of section 406 (b) of the Civil Aeronautics Act is required in order to assure the full implementation of these recommendations. In particular, the act should establish a clear statutory intent that subsidy be limited, so far as possible, to a strictly temporary basis. The act should also clearly establish the right of Congress and the President to exercise effective budgetary control over the level of subsidy.

The Civil Air Policy report has also endorsed the principle of user charges for the Federal airways, but urged that such charges be treated as part of a comprehensive user charge policy for all federally-provided transportation facilities and services. The Appropriations Committees have long shown a special interest in the development of airway user charges. In January 1954, the Department of Commerce completed a comprehensive study on this subject. This study developed basic cost and use data, and presented alternative methods of improving charges. The study was presented to the interested congressional committees to assist them in developing and considering airway user charge legislation.

III. SPECIAL GOVERNMENTAL PROBLEMS

In addition to the basic issues of transportation policy discussed above, there are a number of special problems which merit attention.

Intervention of Executive Agencies in Regulatory Proceedings

We recommend repeal of the statute which gives the Secretary of Agriculture special statutory rights to intervene before regulatory commissions.21/

Private organizations representing farm interests will undoubtedly need to arrange to expand the scope of their activities in behalf of agriculture before regulatory commissions.

Except as it may be a bona fide shipper, no sufficient reason appears for the provision by statute for intervention of any executive department in cases involving quasi-judicial determinations.

Special Rates

We recognize that the use by carriers of that portion of Section 22 of the Interstate Commerce Act granting free or reduced rate transportation to government traffic has given rise to abuses and evils which are not in the public interest. We recognize also however that government procurement practices and the peculiar exigencies affecting movement of its traffic as distinguished from normal movement in commercial channels require special consideration.

We recommend therefore:

a. The repeal of Section 22 of the Interstate Commerce Act in its entirety,22/ contingent upon repeal of the long- and short-haul clause, and

b. That pertinent provisions of the Act be amended to permit the granting by carriers of special government rates and fares to the United States, State, and Municipal Governments, when requested of carriers by authorized government officials, and

c. Except for rates and fares subject to security, such special government rates and fares be published in tariffs and filed in accordance with the provisions of the Interstate Commerce Act and regulations thereunder, provided that filing and publication requirements of the Interstate Commerce Commission shall be waived upon request of an authorized government official to assure application of such rates or fares (1) on less than statutory notice or (2) retroactively, and

d. Section 1, Paragraph 7, should be amended to cover the issuance of mileage, excursion or commutation passenger tickets; reduced rates for personnel of the armed services traveling at their own expense and ministers of religion; and the free transportation of seeing-eye or guide dogs accompanying blind persons, etc. and

e. That upon enactment of legislation to accomplish the above recommendations a savings clause be inserted to permit carriers sufficient time to review and incorporate then existing provisions of Section 22 tenders in published tariff form.

21/ Section 201, 52 Stat. L 36 (U.S. Code, Title 7, sec. 1291).

22/ The similar provisions of 217 (b), 306 (c), and 405 (c) should likewise be repealed.

Navigational Clearance Requirements for Highway and Railroad Bridges

One phase of the competitive relationship between waterway transportation, on the one hand, and railway and highway transportation on the other hand, is concerned with navigational clearance requirements for highway and railroad bridges. Existing laws, enacted about a half century ago, when waterway transportation was relatively more important, are intended to protect the interests of navigation without taking overall transportation economics into account. The result is that highway and railroad bridges must be built with extraordinary horizontal and vertical navigational clearances to accommodate the extremes in waterway traffic.

A report of a study concerning navigational clearance requirements for highway and railroad bridges, now being prepared by the Department of Commerce, shows that in many instances the greatly increased costs of bridge construction, maintenance, operation and use to satisfy navigational needs is not being offset by savings in waterway transportation costs. Since all costs of transportation are ultimately borne by the general public in the cost of the goods the public consumes, in the prices the public pays for the services it receives, or in taxes the public pays, it seems that provision for navigational clearances in bridges constitutes a substantial subsidy to waterway traffic which heretofore has not been adequately recognized. With these very large costs normally borne by railroad or highway transportation interests and reflected in the prices charged for such services, the navigational increment to the cost of overland transportation does affect the competitive relationships among highway, rail, and water carriers.

To correct this situation and effect substantial savings to the general public and correspondingly equalize competitive opportunities among highway, rail, and water carriers, requires appropriate legislative and administrative action.

Although this report is largely confined to that portion of transportation which is subject to the Interstate Commerce Act and the scope of the recommendations is not entirely comprehensive even in this portion of the transportation field, it is our belief that the most serious current transportation problems and those which pose a threat to the national welfare are largely to be found in this area. We are also convinced that prompt accomplishment of the recommendations outlined above will achieve more for the development of a healthy national transportation system than anything undertaken since the flowering of competition brought about by the development of other than rail types of transportation in and since the late 1920's.

Your Committee has not proposed any changes in the Federal organization for the administration of transportation functions and responsibilities. It is our belief that any necessary organizational adjustments should follow the revision of transportation policies to permit determination of required changes in the Federal structure for their most effective administration.

Finally, we wish to emphasize that the revisions of national policy proposed above relate primarily to the things that the Federal Government can do to aid in correcting the dislocations and deficiencies which have crept into our national transportation system. At best, the realization of the correctives proposed will be time consuming both from the standpoint of legislative action and the ability of the affected carriers to make use of the increased competitive freedom which they may be expected to enjoy. It is possible that in the interim period the financial position of the common carriers — especially the railroads — might continue to deteriorate. Consequently, you may wish to recognize that some type of interim program, preferably with private financing, may have to be formulated in order to enable these carriers to modernize their plant and equipment rapidly in anticipation of future improvement in earning power.

This report has dealt mainly with the Federal Government's role in transport promotion and regulation. However, we wish to emphasize that the full economic benefits anticipated from the program recommended here can be realized only with effective and aggressive carrier management and with corporate and physical structures which are adapted to modern competitive conditions and organized to produce transport services at the lowest possible cost.

APPENDIX A

PRINCIPAL RECOMMENDATIONS OF AIR COORDINATING COMMITTEE REPORT ON CIVIL AIR POLICY

1. The basic principles stated in the report on Civil Air Policy are fully consistent with the philosophy of the Cabinet Committee's proposed report on overall transportation policy. The keynote of the report was expressed in the introduction as follows:

> ".... The responsibility of the Government... is not to carve out some predetermined role for air transportation and then attempt to force the industry into such development. Rather, the Government must provide a general background of sound regulatory and promotional policies within which the industry itself will have the greatest possible opportunity for finding its own proper mission in competition with all other forms of transportation.
>
> "Past Federal assistance has accelerated the development of this industry. However, we are now at the point where the industry in large measure is self-sufficient. The goal of Federal policies should at this time be directed to the development of economically healthy carriers, capable of financing with private resources their own continuing growth." (p. 2)

2. As one of its guiding principles in discussing the issue of subsidy, the report emphasized the need for considering overall transportation objectives. It stated:

> "The national interest in promoting air transportation must take account of the parallel national interest in the adequacy and economic soundness of all forms of transportation. This principle has assumed increasing importance as air transportation itself has grown in size and in competitive impact. In the long run, the public can best be assured of maximum economy and efficiency of the over-all transportation system if each form of transportation is required to compete with other forms on the basis of inherent service advantages and true economic costs."
>
> "In keeping with overall transportation objectives, airline subsidy should, so far as possible, be limited to strictly temporary aid, designed to develop needed services which could not progress at an adequate rate without Federal support." (p. 7)

3. To help achieve the objective of a subsidy-free domestic airline industry, the report made the following recommendations:

> "Where the public interest requires the continued maintenance of uneconomical services, increased emphasis should be placed upon the inclusion of such operations within route systems that are capable of absorbing their cost without subsidy." (p. 8)
>
> "The existence of a route certificate should not in itself obligate the Government to continue subsidizing a service, if it is determined that the cost has become disproportionate to the public benefits." (p. 9)
>
> "Schedules should immediately be established for the orderly reduction, and withdrawal where appropriate, of domestic air carrier subsidy support." (p. 11)
>
> "The operation of uneconomic competitive services should be avoided or eliminated." (p. 13)

4. The Civil Air Policy report recognized the importance of protecting common carriers from the erosion of traffic by unregulated carriers. It stated:

> "The intent of the Civil Aeronautics Act, to establish a pattern of controlled entry with regard to common carrier air transportation, is still sound." (p. 19)
>
> "The concept of non-scheduled services does not provide a meaningful basis for exempting route-type passenger services from the normal certification requirement. In the future, there should be no general use of the exemption authority as a basis for authorizing common carrier transportation to individually ticketed passengers on large transport planes." (p. 20)

5. With respect to user charges, the Civil Air Policy stated:

> "Since a large segment of U. S. domestic civil aviation has reached a level of economic maturity which would permit it to make a reasonable contribution toward meeting the costs of the airways system, active consideration should be given to the inauguration of a program of domestic airway user charges. However, charges for the use of the Federal airways system and other federally-provided facilities and services used by civil aviation should be treated as part of a comprehensive policy on charges for the use of all federally-provided transportation facilities and services, taking into account Federal grants-in-aid programs." (p. 32)

OFFICIAL USE ONLY

CP - 7

December 14, 1954

The White House

Washington

THE CABINET

Interim Report to the President on National Water Policy

For consideration by the Cabinet, attached is a copy of the Interim Report on National Water Policy from the Cabinet Committee on Water Resources Policy, established by the President on July 26, 1954.

This Committee, under the chairmanship of Secretary McKay, will produce its final report on March 1, 1955.

The attached Report is preceded by a Summary and also by the transmittal letter from the Committee to the President.

This report is scheduled for discussion at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

OFFICIAL USE ONLY

THE SECRETARY OF THE INTERIOR
WASHINGTON

December 13, 1954

My dear Mr. President:

Your Cabinet Committee on Water Resources Policy is pleased to submit herewith an interim report, pursuant to the instructions of your letter of July 26, 1954.

This report consists of basic policy recommendations which we believe constitute the framework of a sound national policy relating to the development and conservation of the water resources of the nation.

Within this framework your Committee will prepare and submit to you by March 1, 1955, its full report, discussing in detail the specific problems of which this interim report is a broad outline.

Sincerely yours,

DOUGLAS McKAY
Secretary of the Interior
Chairman

R. B. ANDERSON
Acting Secretary of Defense

EZRA TAFT BENSON
Secretary of Agriculture

The President
The White House

Enclosure

SUMMARY

This interim report includes nine broad policy recommendations, constituting the foundation upon which more detailed policies will be built.

There is grave concern over water resources problems throughout the nation. Increasing needs, frequent shortages, increasing pollution, flood damage, priority of uses and conflicts of State and Federal jurisdiction highlight the problem.

All areas of government are deeply interested. The problems are nation-wide. The Federal government should recognize them and provide leadership in establishing sound nation-wide policies as well as standards for its own participation.

1. Collection and Evaluation of Basic Data. Accelerated collection and evaluation of basic data are vital to sound planning and development of water resources.

2. Basin Planning. Water resources development should generally be planned by major river basins in a cooperative effort between States, state agencies, local and Federal government, each to the extent of its interests.

3. State Water Laws and Local Water Rights to be Honored. State laws relating to the control, appropriation, use or distribution of water should be honored by all parties including the Federal government with only such exceptions as are specifically authorized by the Congress. States which lack adequate water laws should be encouraged to correct this deficiency.

4. Priority of Use of Water. In planning the development of water resources the use of the available water for consumptive purposes should take precedence over the non-consumptive purposes.

5. Economics of Projects. All plans for water projects should be based on sound economic analysis. Costs, including any damages, should be less than the assured and identifiable benefits. Remote or intangible benefits not subject to evaluation should not be used for economic justification though they may appropriately be used as additional argument in favor of the proposed work.

6. Independent Review. There should be established directly under the President a Board of Review or similar agency to review all water development or conservation projects. It should be separate from any of the departments with no responsibility for original planning or subsequent execution of the work.

7. Authorization by Congress. Federal water projects should be authorized only by Congressional action. This authority should not be delegated to any administrative officers, except by specific Congressional action. Projects authorized for more than five years for which no construction funds have been appropriated should be re-examined.

8. Participation in Costs. Reimbursement policy for all Federal departments should be uniform. Wherever possible, the cost of providing direct benefits should be recovered through direct charges for vendible benefits, or agreements with States or local governments. Assurance of proper reimbursement should precede construction.

9. Federal Participation in Construction and Financing. The Federal activity should be confined to projects that cannot be financed or built by non-Federal agencies. The Federal government would be justified in paying to the non-Federal builder of a project such part of the costs as represent the Federal or national interest and should consider making or guaranteeing loans to non-Federal agencies to cover the normally reimbursable portions of protective or water consumption projects.

The Federal government should participate in economically sound water use and control projects beyond the capacity of local initiative, consistent with the needs of the whole nation.

December 10, 1954

INTERIM REPORT
TO
THE PRESIDENT
ON
NATIONAL WATER POLICY

This is an interim report of your Cabinet Committee with reference to national policies relating to water. It includes nine broad policy recommendations. These are general in character, but they are intended to be the foundation upon which more detailed policies will be built.

Water is more than a natural resource -- it is a necessity of life. Here in the United States, blessed with a continent of virgin soil, we lived more than two hundred years before the water problem became acute. But the uses we make of water in modern society are so tremendous that they stagger the imagination. The coming of our industrial era, the raising of our living standards, and the increased application of water to land, have now highlighted the problems until throughout the nation there is a grave and increasing concern over water resources.

Shortages of water for domestic and agricultural use are frequent. Industry is finding it increasingly difficult to locate adequate water supplies. Many streams and rivers are seriously polluted. Water scarcity threatens to impose a limiting factor on the growth of some of our great cities, while at the same time flood damage in many areas continues to be great.

The basic elements of a sound policy relating to water are clear. That policy must look toward an adequate water supply for our people, prevent waste of water, reduce water pollution to the lowest possible level, provide means for the useful and equitable distribution of available water supply, and take steps to check the destructive forces of water which threaten to injure or destroy other basic resources, including land, property and human life.

There have been wide differences of opinion as to the best methods to meet these problems. It is a good omen that these differences are so generally discussed.

All areas of government have evinced wide interest in these problems. Municipalities, States and their public agencies, as well as the Federal government, have taken or contemplate taking various steps to alleviate their particular hazard or anticipate their needs.

Because these problems are nation-wide, it is appropriate that the Federal government take cognizance of them and provide the leadership of establishing sound nation-wide policies, as well as provide standards for its own participation in the development of economically sound water projects.

1. Collection and Evaluation of Basic Data

Accelerated collection and evaluation of basic data are vital to planning and development of the water resources of the nation. These data should include geodetic, geologic, hydrologic, meteorologic, topographic and land and soil analysis.

Much fine work has already been accomplished, but both the amount of reliable data heretofore collected and the current progress in this field are woefully short of the needs for sound planning. These data cannot be assembled on short notice, but tedious years of observation are often necessary for the work. Without basic data and its intelligent evaluation water development and conservation projects are likely to be poorly planned from both an engineering and economic viewpoint For example, it was largely lack of adequate stream flow information that led to the present very serious controversies concerning the allocation of the Colorado River water, where it appears more water may have been anticipated than we now find is available.

2. Basin Planning

The development of our water resources should be planned by major river basins insofar as possible. This planning should be a cooperative effort participated in by all of the States included in each such basin and by the Federal government, each to the extent of its interest.

Each river basin plan should be the pattern for coordinated construction and operation of its various parts, and every proper encouragement should be given to local interests to build and operate these parts within this plan. The objective of the planning should be the maximum feasible utilization of all water resources from the time precipitation falls upon the land until the water finds its way again into the sea.

Basin plans should be reviewed from time to time to take full cognizance of changed patterns of regional economic development, new techniques of water use and other factors that may have a bearing on the subject.

3. State Water Laws and Local Water Rights to be Honored

The laws of the various States relating to the control, appropriation, use or distribution of water and all of the rights of any landowner, appropriator or user of water from any source should be honored by all parties, including the Federal government, with only such exceptions as are specifically authorized by the Congress. Many States do not have adequate water laws or legal machinery to enable them to assume their proper responsibility in the development of a comprehensive water program. It is urged that such States take the necessary action to provide these laws.

4. Priority of Use of Water

In planning the development of water resources the use of the available water for consumptive purposes should take precedence over the non-consumptive purposes. This is advisable because in the case of consumptive uses, there is ordinarily no substitute for water. In the case of non-consumptive uses, there are always substitutes for water. Consumptive uses may be designated as domestic (including all municipal requirements), agricultural and some industrial uses.

5. Economics of Projects

All plans for projects to develop, control or conserve water resources should be based on sound economic analysis wherein the costs, including any damages, should be less than the assured and identifiable benefits. The costs of any project should be carefully estimated and kept up to date, and these costs should include any damages or losses sustained by virtue of construction or operation of the project. The estimates of benefits should be similarly made with care and should be clearly creditable to the project. Remote or intangible benefits not subject to evaluation should not be used for economic justification of a project though they may appropriately be used as additional argument in favor of the proposed work

It is essential that all Federal agencies prepare project economic studies according to the same standards, and that full coordination among the several departments be effected in this matter.

6. Independent Review

There should be established directly under the President a Board of Review or similar agency with the responsibility of independently reviewing all water development or conservation projects reported on by each department.

The board or agency should be totally separated from any of the departments and with no responsibility for original planning or subsequent execution of the work. It is highly desirable that such a review be provided for and that it be made by some organization which cannot have any incentive to execute the work.

It should be the responsibility of this board or agency to make a general review of the engineering plans and economic analysis of each project participated in by the Federal government and be assured that it is in agreement with the policies of the President and the Congress and in coordination with other projects. The Congress will, of course, make its own committee review, as at present, but would have the benefit of the independent agency's report.

7. Authorization by Congress

Authorization of Federal water development or conservation projects should be by Congressional action for each such project, and this authority should not be delegated to any administrative officers, except as modified by specific Congressional action.

Projects which have been authorized for more than five years and to which no funds have been appropriated for construction should be re-examined by the proposing agency and by the reviewing agency herein proposed, and reports thereon submitted to the Congress.

The method of obtaining Congressional authorization of projects should be made the same for each kind of project and each department functioning in this field.

Authorization should not be proposed for any project until a reasonable opportunity has been given for its review by the various Federal departments and the States and local interests directly involved.

8. Participation in Costs

A uniform and economically sound policy for all Federal departments for reimbursement of a fair share of those costs of Federal water development projects which produce direct local benefits to people, businesses or political subdivisions should be established. Insofar as reasonably possible the cost of providing those benefits should be recovered, either through direct charges for vendible benefits, or through agreements with States or local governments under which their taxing or assessing powers would assure reimbursement for their share of costs not susceptible of direct collection.

Construction on any project should not be begun until there is adequate assurance that proper reimbursement as authorized above will be made, and this assurance should generally be in the form of a completed agreement between the Federal government and the beneficiaries.

9. Federal Participation in Construction and Financing

The Federal government should not as a general rule finance or build any water use or control projects or any part of such a project that can, under fair and reasonable regulation, be financed and built by the States or their agencies or by local, public or private groups. When there is a part of any such project which is of national interest and would not be reimbursable if the Federal government built the whole project, the Federal government would be justified in paying that part of the costs to the interests building the project in an amount not to exceed the extent of the non-reimbursable Federal interest.

It would also be appropriate and desirable to have the Federal government provide for making or guaranteeing loans under reasonable regulations to States or local political subdivisions to cover the cost of reimbursable portions of protective or water consumption works.

The Federal government should participate in the planning, financing and construction of economically sound waterway, water use or control projects when these projects are beyond the capacity of local initiative, public or private, and are consistent with the needs of the whole nation.

~~CONFIDENTIAL~~

CP - 8

December 15, 1954

The White House

Washington

THE CABINET

Review of P. L. 480 Decisions Taken by the Interagency Committee on Agricultural Surplus Disposal (ICASD)

For consideration by the Cabinet, attached is a paper which has come from the Interagency Committee on Agricultural Surplus Disposal, chaired by Mr. Clarence Francis.

This paper summarizes the purposes of the relevant Titles of Public Law 480 and states the general policy which the Committee has followed in coordinating the Departments' implementation of this legislation.

This paper recommends that this policy be affirmed by the President.

A background paper is also attached showing the agreed country programs under Titles I and II of Public Law 480.

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
Authority [illegible]
Date [illegible]
~~CONFIDENTIAL~~ By [illegible], NARS Date [illegible]

~~CONFIDENTIAL~~

December 15, 1954

THE CABINET

Review of P. L. 480 Decisions Taken by the Interagency Committee on Agricultural Surplus Disposal (ICASD)

Problem: In administering Public Law 480, should the policy followed by the Interagency Committee on Agricultural Surplus Disposal be continued?

Discussion: The purposes of P. L. 480 as interpreted by the ICASD are as follows:

Title I of P. L. 480 contains a variety of purposes to be accomplished by the sale of surplus commodities for foreign currencies and by the use of such currencies. It carries a ceiling of $700 million loss to CCC over a three-year period.

Title II of the Act authorizes the transfer on a grant basis to friendly governments, and to friendly but needy populations, of surplus commodities in CCC stocks in order to meet famine and other urgent relief requirements or to assist programs undertaken with friendly governments or through voluntary relief organizations. $300 million is provided over a three-year period.

Title III authorizes barter for certain materials, amends previous legislation relative to surplus disposal by voluntary agencies, forbids trade with the Soviet area. There are no policy questions under Title III.

It has been the ICASD's general policy to proceed cautiously under the Act until effects both on U. S. dollar sales and on other friendly exporting countries were clear. The ICASD has unanimously agreed to the country programs for the first-year appearing in the attached paper. They total $453 million under Title I for 17 countries and $124 million under Title II for 12 programs.

Recommendation: That the President approve the Interagency Committee's policy of basic caution in administering Public Law 480 with due regard for foreign policy considerations.

Attachment: Background paper on this subject prepared by the Chairman of the Interagency Committee on Agricultural Surplus Disposal.

Title I Programs for Fiscal 1955 (in millions of CCC cost):

Japan	$100.0*	Norway	$ 2.0
Pakistan	31.0*	Finland	4.0
Spain	26.0*	Thailand	2.0
Turkey	30.3*	Italy	30.0
United Kingdom	53.5*	France	15.0
Jugoslavia	60.0*	Brazil	30.0
Chile	8.0	Austria	5.0
Peru	6.0	India	40.0
Denmark	10.0	Reserve	.2
			$453.0

~~CONFIDENTIAL~~

CABINET PAPER
FOR CONSIDERAT

Title II Programs for Fiscal 1955 (in millions of CCC cost):

Austria, East and West Germany	$ 3.6	Bolivia	$ 9.9
Italy	20.0	Japan	15.0
Jugoslavia	34.2	Haiti	1.9
Libya	3.25	Hungary	2.7
Pakistan	14.8	Czechoslovakia	1.7
Nepal	.2	Christmas package program	16.7
			$123.95

It is possible that other emergency situations may arise before the end of the fiscal year. Although none is anticipated under Title I, the Director of Foreign Operations estimates that there may be additions under Title II, not, however, exceeding a total of $150 million.

Two other points should be noted: (1) the above schedules represent allocations; full shipment during the year may not be made; (2) there almost certainly will be some dollar recoveries, which would reduce the loss to the CCC.

Example of commodity distribution and use of generated local currencies--Japan (in millions of dollars):

Commodity	Title I		Title II
	Market Value	CCC Cost	CCC Cost
Wheat	22.5	36.0	12.0
Barley	3.5	5.0	
Rice	15.0	15.0	
Cotton	35.0	35.0	3.0
Tobacco	5.0	5.0	
Transportation	4.0	4.0	
	85.00	100.0	15.0

Use of Local Currency (in Yen Equivalent of Millions of $)

Sec. 104(a) Develop new markets	$ 2.0	
Sec. 104(c) Procure military equipment, etc.	17.0	(reimbursable in $ from DOD)
Sec. 104(d) Finance purchases for other friendly countries	5.5	
Sec. 104(f) Pay U. S. obligations abroad	.25	
Sec. 104(g) Loans for economic development	59.5	
Sec. 104(h) International educational exchange	.75	
	$ 85.00	

*Already negotiated or in process of negotiation.

CONFIDENTIAL

CP - 9

December 15, 1954

The White House

Washington

THE CABINET

Policy Review of Dollar Sales to the Soviet Bloc of Agricultural Surplus Commodities

For consideration by the Cabinet, attached is a paper on the above subject which has come out of the Interagency Committee on Agricultural Surplus Disposal, chaired by Mr. Clarence Francis.

This subject has been discussed at some length in the Committee and has been discussed twice in Cabinet (on January 15, 1954 and on February 5, 1954).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

CONFIDENTIAL

DECLASSIFIED
Authority [illegible]
Date [illegible]
By DJH, NARS Date 7/23/76

December 15, 1954

THE CABINET

Policy Review of Dollar Sales to the Soviet Bloc of Agricultural Surplus Commodites

Problems: 1. Should the United States sell agricultural surplus to friendly countries for dollars at world prices with the knowledge that such produce would find its way to the Soviet Bloc?

2. Should the United States sell agricultural surplus to the Soviet Bloc for dollars at world prices?

Discussion: Opportunities continue for disposing of substantial quantities of surplus, mainly butter, with final destination the Soviet Bloc. These are proposals by friendly countries to buy for dollars at market prices. Some are offers of brokerage for shipment to the Soviet or Satellites; some to take commodities for reworking and transshipment; some to consume totally within the friendly country, releasing local produce for shipment behind the Curtain.

A previous concensus of the Cabinet (January 15, 1954) was to deny a license to export butter to the U.S.S.R. The reasons, appearing in the aide memoire, were: (a) we should not sell this commodity at a loss; (b) there might be adverse public reaction if the U.S. sold butter to Russia at a price below that paid by American housewives.

If reason (a) is controlling, this avenue of possible disposal is blocked, inasmuch as the cost price to the CCC tends to be above world market prices for the same commodity, because of the operation of domestic price supports.

If, however, reason (a) alone would not preclude such sales in the absence of other reasons, it may be that the introduction into the transaction of a friendly third country (which stands to benefit by it) could have an effect on reason (b).

The Department of Agriculture has been unable to devise a politically feasible plan or one not involving risk of ruinous cost for domestic disposal of butter surpluses.

The Interagency Committee on Agricultural Surplus Disposal (ICASD) feels that the policy on this question should be reviewed. It is the Committee's opinion, in respect of reason (b) above, that the judgment of the American people can be relied on if a full and honest disclosure of the situation is made.

Recommendations: 1. (a) That the President approve in principle the sale for dollars at competitive prices of surplus agricultural commodities to friendly countries, even though such commodities may ultimately go to the Soviet bloc or be available to it;

(b) that the President authorize the agencies concerned to proceed to negotiate such transactions as presently offer or as may offer and can be negotiated within 90 days from this date and authorize the Secretary of Commerce to issue export licenses therefor; and

(c) that the Chairman of the Interagency Committee on Agricultural Surplus Disposal be directed to report to the Cabinet at the end of that period the nature of such transactions, together with an estimate of their effects at home and abroad.

CABINET PAPER
FOR CONSIDERATION

2. If the first recommendation is accepted, the Committee proposes that the idea of direct sales to the Soviet bloc for dollars (but not for gold) be entertained and recommends that the President approve such sales on the same basis as described in the first recommendation. The Treasury Department and the Bureau of the Budget reserve their positions on this recommendation.

CP - 10

December 15, 1954

The White House
Washington

THE CABINET

Overseas Personnel Management

For consideration by the Cabinet, attached is a series of briefing papers, prepared by Mr. Philip Young, in consultation with the interested agencies, on the proposals, as they now stand, for the Administration's overseas personnel management program

There are nine segments of this program; there are twelve succinct briefing papers attached (three of them are on one subject: retirement).

The nine subjects, in approximately the order in which they will be referred to during the Cabinet discussion, and in the order in which these papers are attached here, are summarized on the introductory page immediately following this cover sheet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

THE OVERSEAS PERSONNEL PROGRAM

CABINET ACTION REQUESTED

The purpose of the Cabinet discussion relating to overseas personnel management problems is (A) to gain Cabinet and Presidential approval of the content and cost of five areas of activity and (B) to gain approval of the direction being followed in four additional areas.

A. Proposals on which specific cost and content approval is desired and which require legislative action include:

1 - An omnibus bill covering allowances and differentials for all U.S. citizens overseas.

2 - Amending legislation extending home leave benefits to all personnel not covered by the Foreign Service Act of 1946

3 - The Department of State's proposed amendments to the Foreign Service Act of 1946

4 - A proposal by USIA to establish for that Agency a career category of Foreign Service personnel

5 - The remaining item on which content and cost approval will be requested concerns extension of the competitive civil service overseas. (No legislative action will be required in this area.)

B. In addition, approval will be requested of the direction being taken in four other program areas:

1 - Retirement for U.S. citizens and aliens overseas (3 papers)

2 - Health and medical benefits

3. - Housing

4 - Alien personnel management.

While approval of the general direction of these four projects will be requested at this meeting of the Cabinet, actual content and cost approval will be asked at a date in the near future.

CABINET PAPER
FOR CONSIDERATION

PROJECT: ALLOWANCES AND DIFFERENTIALS

PROBLEM

Three major systems of allowances are now applicable to American citizen civilian personnel stationed outside the continental United States: foreign area allowances, administered by the Secretary of State under Presidential order; territorial allowances, administered under similar order by the Civil Service Commission; and, maximum 25 percent salary differential provided by law for personnel stationed in the Panama Canal Zone. Administrative practices vary within the systems among agencies and among pay groups. Some of the differences are warranted by differences in circumstances, others are not. It is the consensus of major departments and agencies that a single statute, consolidating existing authority for payment of allowances and differentials for civilian personnel and correcting certain inequities that now exist is highly desirable.

PROPOSED SOLUTION

Our proposed legislation on this subject provides as follows:

1. Quarters Allowance - a. Continues statutory authority to furnish living quarters without cost in foreign areas, or to grant allowances in lieu thereof; b. Extends to employees of all agencies authority to pay a "temporary lodging" allowance upon first arrival at a post, for a period not to exceed 3 months; c. Adds a new provision to permit payment of the "temporary lodging" allowance for a period not to exceed one month immediately prior to final departures; d. Adds water supply to

the utilities to be covered by the quarters allowance; e. Adds provision to permit reimbursement of personnel for unusual expenses incurred in initial repair, alteration and improvement of substandard dwellings; f. Adds exemption from Revised Statutes 3648 to permit advance payments of quarters allowances.

2. Cost-of-Living Allowances

[Foreign Areas] a. Continues existing authority for payment of post allowances which compensate for living costs higher than in the U. S., initial outfitting costs in connection with transfers between posts, maintenance of separate establishments if conditions at a post preclude taking dependents along; b. Adds authority to pay a transfer allowance upon assignment to duty in the U. S. between foreign assignments; c. Amends the existing "separate maintenance" allowance to permit payment if the separate establishment is away from the post of assignment and not necessarily outside the country of assignment; d. Adds provision for a new allowance, to permit payment of an education allowance and related travel grants; e. Extends authority for payment of representation allowances to all agencies; f. Extends to all agencies authority to pay storage expenses similar to the authority now available to the Foreign Service; g. Extends to all agencies authority to pay costs of unusual housekeeping expenses for top officials, similar to the official residence allotment provided in the Foreign Service Act of 1946 for the principal diplomatic or consular officer at a post; h. Continues authority for payment of post differentials not to exceed 25%

of basic compensation, based on undesirable conditions of environment, and extends this authority to Foreign Service officers and Foreign Service reserve officers not presently covered.

[Territories] a. Continues the cost of living allowance to offset the difference in living costs between the territorial area and Washington, D. C. but eliminates the present 25% limitation; b. Adds provision for payment of the storage allowance on the same basis as is available to employees in foreign areas; c. Continues the authority for payment of post differentials based on undesirable environmental conditions, not to exceed 25% of basic compensation.

3. General Provisions - a. Regulatory authority is vested in the President; b. Allowances and differentials are authorized for employees whose rates of basic compensation are fixed - (1) by statute, (2) administratively.

ACTION

There was submitted to the 83rd Congress a draft of a bill (H.R. 9767) known as the "Overseas Allowances Act of 1954", incorporating to provisions outlined above. We will submit this bill to the 84th Congress early in the first session.

BENEFITS

The proposed bill is based on the principle that the Government should compensate Federal employees overseas (a) for additional expenses associated with overseas service not incurred, or not incurred on a comparable scale, by Federal employees in the States, and (b) for living conditions at overseas posts that are relatively adverse when compared with living conditions in the States. Fundamentally the proposed bill--

(a) Brings about uniformity in overseas allowances and differentials to the extent consistent with conditions. It eliminates unwarranted differences between the territorial and foreign systems; permits extension of all allowances and differentials to employees whose rates of pay are fixed administratively, mainly the wage-board group; and eliminates the many differences that now exist between allowances and differentials for the Foreign Service under the Department of State and those for other Federal agencies in foreign areas.

(b) Codifies in one act various provisions of law now found in numerous separate statutes, and provides a single authority, uniform for all agencies, for allowances and differentials.

(c) Provides a basis for the more efficient and equitable administration of allowances and differentials.

(d) Provides authorities now lacking entirely, or modifies existing authorities, to meet specific problems at foreign posts.

(e) Meets the major problem of allowances in territorial areas by eliminating the statutory 25 percent ceiling on territorial cost-of-living allowances.

COST OR SAVINGS

The cost of the bill, introduced in the 83rd Congress, was estimated at $6,319,008.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: HOME LEAVE

PROBLEM

Employees of the State Department Foreign Service, and of the Foreign Operations Administration and United States Information Agency earn, and may accumulate without limit, home leave in addition to their regular leave, at a rate equivalent to one week for each four months of overseas service. A number of other agencies have indicated that lack of such home leave for their employees overseas has created a serious problem. Government and industry experience indicates that home leave is necessary to permit employees to obtain proper rest and recuperation after service in difficult posts; to permit them to become reacquainted with American ideas and customs after prolonged exposure to foreign influences, and to permit them to visit their family and friends and take an adequate vacation in their own country. Under the current leave system applicable to some of our overseas employees they could not normally accrue enough leave during one overseas tour to take an adequate vacation in the United States. This system results in increased turnover because it makes it necessary for employees to resign if they desire extended leave in the U. S. Turnover in overseas positions is extremely costly for the Government because of the logistics factors, and because of the difficulty in recruiting persons with the required skills and personal characteristics for overseas assignment.

PROPOSED SOLUTION

In a study of private business practices, all companies consulted were found to grant an extended period of home leave in addition to local leave, after 2 or 3 years' service abroad. The most common practice seems to be to grant 1 month home leave for each year spent overseas, except in hardship areas, where this amount is usually increased to 2 months' leave for each year of service. Up to 3 months' home leave for each year's service in a hardship area was granted by one company.

We propose to meet this need for Government employees by extending the home leave benefits currently enjoyed by foreign affairs personnel to all personnel employed by the Government overseas. We would provide administrative controls, however, to preclude granting unwarranted leave benefits.

ACTION

There was submitted to the 83rd Congress a draft of a bill to amend the Annual and Sick Leave Act of 1951, as amended, to provide for home leave. It was introduced and numbered H.R. 9768. We will submit this bill to the 84th Congress early in the first session.

BENEFITS

Suggested legislation to give agencies authority on a permissive basis to grant home leave benefits similar to those granted personnel employed under provisions of the Foreign Service Act of 1946 to all United States citizen employees serving overseas.

COST OR SAVINGS

The immediate cost of the bill, introducedin the 83rd, was estimated at $2,571,750. However, even a slight reduction in the high rate of turnover, as a result of its enactment would offset a large part of this expenditure.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: AMENDMENTS TO THE FOREIGN SERVICE ACT OF 1946

PROBLEM

In March 1954 the Secretary of State established a Public Committee to study the administration of the Foreign Service and to recommend measures to improve the efficiency of operations of the Department of State and the Foreign Service.

The Committee's report, made in June 1954, included a basic proposal that departmental, Foreign Service Officer, Foreign Service Reserve and Foreign Service Staff positions be integrated, to the extent that interchangeability is feasible and desirable, into a single service subject to assignment at home and abroad at the discretion of the Secretary. Certain other recommendations were made, all intended to improve the effectiveness of over-all management and administration.

Most of the recommendations can be carried out to some degree under existing law, but in order to achieve fully the improvements intended some amendments to the Foreign Service Act of 1946, as amended, are required.

PROPOSED SOLUTION

The State Department has developed amendments to the Foreign Service Act of 1946, as amended, limited to those items considered of major importance to implement the Public Committee's recommendations. The general purposes of the proposed amendments are:

1. To permit appointments in classes FSO-1 through FSO-5 to salary steps above the minimum. (Sec. 413)
2. To extend to Foreign Service Officers and Reserve Officers payment of hardship post differentials. (Sec. 443)
3. To make officers of other Government agencies eligible for lateral entry as Foreign Service Officers; and to eliminate the requirement that the qualifying period of service be performed "immediately" prior to appointment as a Foreign Service Officer. (Sec.517)
4. To increase the maximum duration of Foreign Service Reserve Officer appointments from four to five years with authority for a two-year extension. (Sec. 522)
5. To authorize waiver of the four-year limit on assignments of Foreign Service personnel to duty in the United States. (Sec. 571)

6. To authorize negotiation of reimbursement for Foreign Service personnel detailed to other Government agencies. (Sec. 571)
7. To extend the selection-out system to Foreign Service Officers of class 1. (Sec. 633)
8. To limit the amount paid to Foreign Service Officers in classes 4 and 5 who are selected out of the service. (Sec. 634)
9. To discontinue the provision granting Foreign Service Officers time and one-half credit for service at unhealthful posts. (Sec. 853)
10. To establish a home service transfer allowance for Foreign Service personnel assigned to duty in the United States between foreign tours of duty. (Sec. 901)
11. To establish a basis for educational grants to defray part of the expense of educating children of American parents stationed abroad. (Sec. 901)
12. To authorize physical examinations for dependents. (Sec. 943)

ACTION

The proposed bill has been cleared by the Bureau of the Budget for submission to the Congress.

BENEFITS

The proposed bill will constitute an important step toward achievement of badly needed and long over-due improvements in the personnel systems of the Department of State and the Foreign Service by removing some of the highly restrictive features of the Foreign Service Act of 1946, as amended. It will permit better utilization of personnel and simplification of administrative processes.

COSTS

Costs resulting from the proposed amendments as calculated by the Department of State are as follows:

	FY 1955	FY 1956
Later appointments above minimum rate of class	160,000	160,000
Payment of salary differentials to FSOs and FSRs	120,000	480,000
Home service transfer allowances	75,000	175,000
Educational allowances	50,000	442,390
Medical examinations for dependents	7,000	28,000
Totals	412,000	1,285,390

White House overseas Personnel Program
work notes - December 14, 1954.

PROJECT: CAREER CATEGORY FOR U.S.I.A.

PROBLEM

Reorganization Plan No. 8 of 1953 made available to the Director of the U. S. Information Agency certain personnel authorities of the Foreign Service Act of 1946. In transmitting the Plan to Congress, the President stated that he did not consider these personnel arrangements permanently suitable. The authorities available to the Director are limited to the Foreign Service Reserve and the Foreign Service Staff. The statutory four-year limitation on Reserve appointments and the absence of Foreign Service Officer authority leaves our overseas Information Officers without assurance of tenure and makes it difficult for the Agency to retain and develop their services to the maximum extent possible. The limitation on the length of service of Foreign Service Reserve Officers has necessitated appropriation language each year to extend Reserve appointments -- which leaves the Agency in a precarious situation each year since such substantive language in appropriation legislation is subject to a point of order. Thus, the Agency needs a more stable statutory base for its overseas personnel.

PROPOSED SOLUTION

The Agency is proposing legislation to permit the Director to appoint Foreign Service Information Officers without regard to the time limitation imposed on Reserve appointments by the Foreign Service Act. This authority would give the Agency three categories of American personnel -- Foreign Service Information Officers, Foreign Service Reserve Officers and Foreign Service Staff personnel. Salaries, allowances and other benefits will be governed by legislation applicable to the Foreign Service of the Service of the United States and Foreign Service personnel management of the Agency will operate within the framework of the Foreign Service Act. The proposed legislation includes authority to establish Boards of Examiners and Promotion Boards, to separate for cause and to establish probationary periods for Foreign Service Information Officers. The Agency also proposes that Foreign Service Information Officers be given the same retirement and disability benefits as are accorded to Foreign Service Officers of the Department of State.

ACTION

The Agency has prepared a draft bill for submission to the Congress.

BENEFITS

The proposed legislation will give the Agency more stability in its overseas personnel and enable it to retain higher calibre personnel and, to develop their abilities to the utmost.

The Agency expects higher morale and esprit de corps because of this stability which will allow more systematic personnel management.

The legislative proposal will provide a personnel structure similar to that of the Department of State and enable the Agency to maintain a close correlation with the Department in personnel utilization and planning.

COSTS OR SAVINGS

The only costs involved are those resulting from minor salary adjustments in converting present qualified personnel to Foreign Service Information Officers and extension of the Retirement and Disability benefits, accorded to Department of State FSO's, to the Foreign Service Information Officers. The Agency will absorb the cost of salary adjustments. No estimates of cost of extension of the Retirement and Disability benefits are available.

White House overseas Personnel Program
Work notes -- December 14, 1954

PROJECT: EXTENSION OF THE COMPETITIVE SERVICE OVERSEAS

PROBLEM

Career-type positions under the Civil Service system are filled through competitive examination except when specifically "excepted" from it. "Excepted" means that these positions can be filled by means other than through regular competitive procedures, and that subsequent personnel actions are not in all cases under regular Civil Service rules. Most overseas positions under the Civil Service system (as distinguished from the Foreign Service system, etc.) are currently in the "excepted" category. This has precluded many competent persons in the United States from taking positions overseas where their services were needed because they would lose status in their positions. It has also meant that persons with good service records overseas could not return directly to positions in the United States because they have not been recruited through competitive procedures. It has also meant that agencies have not had the advantages of regular Civil Service recruitment and examination procedures for their overseas positions. There are approximately 44,500 positions in the excepted service overseas, of which a large number are in the Department of Defense.

PROPOSED SOLUTION

The Department of Defense and the Civil Service Commission have developed plans whereby the competitive service would be extended to almost all overseas positions occupied by United

States, and recruitment would be conducted in accordance with competitive procedures.

ACTION

This action should be consummated during the next calendar year. It will probably take the form of Amendment to Regulations and/or Departmental Circulars issued by the Civil Service Commission placing all such overseas positions in the competitive service. The Civil Service Commission and the various agencies affected are working out plans for implementation of this order which will result in the minimum practicable of disruption of existing recruitment procedures.

The [illegible] D. Eisenhower Library

BENEFITS

Career employees in the United States can transfer overseas without losing status in their positions.

Career-type employees who have proven their ability in overseas positions can be transferred back to positions in the United States.

All persons recruited overseas will be screened through normal competitive requirements.

COST OR SAVINGS

The cost of this program will be only the additional administrative costs. The Civil Service Commission estimates an additional cost to them of approximately $200,000.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: RETIREMENT PLAN FOR U. S. CITIZENS OVERSEAS

PROBLEM

The vast majority of American citizens employed by the U. S. Government overseas are covered either by Civil Service retirement or by old age and survivor's insurance. This includes approximately 30,000 employees of the Department of Defense, State Department's Foreign Service Reserve, Foreign Service Staff, USIA, FOA and others. Approximately 1,300 Foreign Service officers of the Department of State are covered by the Foreign Service Retirement system. Although Foreign Service career officers serve overseas on a mandatory basis and for long periods of time certain of the other groups are subject to similar employment conditions. Thus, we find there are three basic systems in operation, viz., social security, U. S. Civil Service retirement and Foreign Service retirement for groups of employees that are in many cases subject to identical employment and environmental conditions. It was our purpose to establish a plan which could apply uniformly to persons serving the U. S. Government overseas.

PROPOSED SOLUTION

We have tied in our proposed solution with the recommendations of the "Kaplan" Committee which studied the U. S. Civil Service retirement system during the last of Congress. Our findings support the "Kaplan" findings and we recommend that they be accepted and extended as the basic system for all U. S. citizens overseas. (The "Kaplan" Committee made no specific recommendations on overseas retirement) We would, however, propose a 2% benefit formula for all overseas service for persons having 10 or more years of overseas duty. The 1½% benefit formula would continue to apply for periods of domestic employment. Thus, within the framework of the Civil Service Retirement system and in accordance with the Kaplan Committee recommendations, our proposal would maintain an equitable retirement incentive for overseas service.

ACTION

We have passed our study and proposals to the Civil Service Commission for their review and comment and for integration with the complete legislative package to be submitted to the Congress this session.

BENEFITS

This proposal would establish a uniform Federal retirement policy applicable to all American citizens employed by the Government.

It will provide an incentive for overseas employment by giving a more generous unit of benefit (2% of salary for each year of overseas service) to all employees, provided they serve a minimum of 10 years overseas. This unit of benefit currently applies to all service performed by Foreign Service Officers, regardless of where this service was performed.

The proposal would eliminate extra benefit payments to persons who serve overseas for short periods of time and at the same time reward those with reasonable periods of such duty.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: RETIREMENT FOR PANAMANIANS

PROBLEM

Department of Defense currently covers Panamanians under the U. S. Civil Service Retirement Act. Benefit payments to Panamanians are subject to a flat 30% United States tax. This tax may be eliminated by a pending agreement with Panama making benefit payments to Panamanians the same as payments to United States citizens in similar pay brackets. This would result in payments to Panamanians as a group greater than relative benefits received by United States citizens as a group because of the advantage they get from the weighted factors in the lower salary brackets. For example, the effect of the existing Civil Service Retirement formula which is weighted in favor of lower paid employees would be to permit Panamanians to retire at 80% of average pay after approximately 23 years of service. American citizens performing identical tasks would be required to work approximately 43 years in order to achieve the same relative level of retirement benefits.

The Panama Canal Company does not cover Panamanians under the Civil Service Retirement Act but rather provides benefits under the "Cash Relief Act" which is applicable to them alone. Employee benefits are minimal under this Act, resulting in great disparity with benefits under the United States Retirement Act.

We are committed to "equality of treatment" in employment practices as between United States citizens and Panamanians both by Ancillary Note of 1936 and by recent Executive commitment.

PROPOSED SOLUTION

We believe that Panamanians should be covered under the U. S. Civil Service Retirement Act in accordance with our commitment but we are not convinced that the intent was to give them what we consider exceptional benefits. We would amend the Retirement Act so that benefits could be adjusted to conform with Panamanian economic factors, on a sound actuarial basis. This would be in accordance with our proposals for treatment of aliens worldwide, in principle. (See: Retirement System for aliens)

Also, we are convinced that there should be uniformity of practice among U. S. agencies in the Canal Zone. Therefore, we will support repeal of the Cash Relief Act so that all Panamanians will be subject to the United States Civil Service Retirement system, modified as proposed above, if possible within diplomatic commitments.

ACTION

We will support repeal of the Cash Relief Act, which will be proposed by the Panama Canal Company.

The [illegible] Eisenhower Library

We are exploring with the State Department what can be done under existing commitments and through current negotiations, and if possible will support coverage of Panamanians under modified U. S. retirement provisions as proposed above.

This legislation will be tied in with the Civil Service Commission overall legislative proposals on retirement.

BENEFITS

Uniformity of retirement practices for Panamanians employed by U. S. agencies in the Panama Canal Zone.

Consistency in principle of Panamanian practice with world-wide proposals for aliens.

Implementation of long-standing commitment to Panama for "equality of treatment" of Panamanians.

COST OR SAVINGS

Our proposal would result in monetary savings to the Government, as compared with coverage under the existing Civil Service Retirement Act, in that retirement benefits for Panamanians would be adjusted in accordance with Panamanian economic factors.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: RETIREMENT SYSTEM FOR ALIENS

PROBLEM

The U. S. Civil Service Retirement Act as it now stands covers alien employees as well as U. S. citizens. Because the existing formula includes a fixed $25.00 increment and is thus heavily weighted in favor of low-paid employees, this becomes untenable when one considers that aliens are employed at basic wage rates as low as 75¢ a day in certain overseas areas. Retirement benefits under the Civil Service Retirement Act would yield benefits disproportionately high in relation to active duty pay. There is to be considered, however, the fact that many foreign countries in which we operate have their own social security, Government employees' retirement and other similar systems. As an employer in these countries, the U. S. must be in a competitive position for available labor and also must follow employment practices that will not result in unfavorable relations. There are approximately 101,000 such alien civilians employed directly by the Government overseas.

PROPOSED SOLUTION

We propose to support legislation to provide authority for the U. S. as an employer to participate in local social security or retirement plans of the host Government on equal terms with local employers or the host Government. State Department would monitor the overall diplomatic arrangements for such actions.

We would support amendment of the U. S. Civil Service Retirement Act so that it can be adjusted from an actuarial standpoint to serve as a retirement system where prevailing custom in a foreign country requires such coverage and where no local social security system is available to meet this need. (There should be few if any such cases.) This would be permissive legislation to establish systems within the general provisions of the Act, tailor-made for special overseas situations.

ACTION

We hope to propose legislation for this session of Congress. We are working with the Civil Service Commission on this matter.

BENEFITS

Under our proposal aliens (generally) employed in overseas areas can be excluded from coverage under the U. S. Civil Service Retirement Act.

We would provide authority for agencies to cover its alien employees under the same systems as is used by government and/or industry in the host country. Improved relations with aliens and their governments would result.

COST OR SAVINGS

This proposal should result in extensive savings to the Government since coverage under the Civil Service Retirement system as now required by law would provide greater benefits to aliens than would be customary under systems established in their own country.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: OVERSEAS HEALTH AND MEDICAL SERVICES

PROBLEM

Overseas U. S. citizen employees and their dependents are subject to certain risks to life and health which stateside Federal employees normally do not encounter. Amoebic dysentery, infectious hepatitis, malaria, typhoid fever, tuberculosis and certain other diseases are more prevalent overseas. Health and sanitary conditions are worse and local physicians and hospitals are frequently poor by American standards. The language barrier is a constant source of potential difficulty in obtaining hospitalization or medical care. In subjecting its overseas employees to these conditions, the Government, of necessity, must assume the responsibility for seeing to it that suitable medical care is available for its employees and dependents. Otherwise, it cannot expect to recruit and retain qualified employees for overseas service.

At the present time the degree to which agencies provide medical assistance overseas varies a great deal. Foreign Service employees of the Department of State, FOA, USIA and CIA receive care and medical travel at Government expense for all illness or injury requiring hospitalization which is incurred overseas. Although the health of the employee's dependents may have a direct effect on the employee's adjustment and work performance, no such provisions are made for dependents. Department of Defense employees and their dependents generally are located near military hospitals and can receive service. They are charged $5.00 per day for hospitalization and $1.75 per visit for out-patient care. In addition to the regular financial burden imposed by medical care costs, employees stationed in out of the way places are often faced with paying the costs of travel, for himself and his dependents to a place where adequate medical facilities are available. The lack of a definite overseas Government medical program and uniform benefits for overseas personnel and their dependents presents a serious problem.

PROPOSED SOLUTION

To overcome the problems described above, we are proposing the following Government-wide overseas medical program:

1. Stringent pre-employment and pre-departure physical examinations for U. S. citizen civilian employees and dependents to assure that persons sent overseas at Government expense are in good health and are not suffering from some condition which will make them medical liabilities;
2. Complete immunizations for both employees and dependents;
3. Transportation at Government expense for employees and their dependents from localities where suitable hospital and medical facilities do not exist to

localities where adequate facilities may be obtained;

4. Recommendation - Complete medical care at Government expense for all overseas employees and their dependents.

   Alternative 1 - Hospitalization for employees and dependents at Government expense. Employees secure and pay for remaining medical care.

   Alternative 2 - Hospitalization at Government expense for employees - participation in Government health insurance proposal for dependents. Remaining medical care secured by employee at his own expense.

5. Establish responsibility for the coordination of the various agency medical programs in the President's Advisor on Personnel Management and authorize him to establish an Overseas Medical Advisory Board. It would be the function of the Board to assist in developing standards, in recommending action to coordinate the agency programs and in maintaining inter agency liaison.
6. Authorize Department of Defense to provide medical care to employees and dependents in military medical facilities regardless of agency.
7. Authorize the Department of State to make available to other agencies the services of the Foreign Service Medical Program.

8. Authorize the heads of agencies to establish health units, clinics and dispensaries and to provide services of a physician when warranted, under such standards as the President's Advisor on Personnel Management may issue.

ACTION

We have prepared a draft bill, the "Overseas Health and Medical Services Act of 1955", which will be circulated for agency comment. We hope to submit it to Congress for legislative action at an early date.

BENEFITS

Lessen the employees' apprehension about overseas health risks and thereby facilitate the recruitment and retention of qualified employees. Provide uniform medical benefits to all overseas employees, thus reducing contention and cause for dissatisfaction between the employees of agencies providing different benefits. Lessen the incidence of medical breakdown and its inherent expense to the Government through the loss of productivity, the cost of providing and training a replacement, and the cost of transportation for the employee and his household effects. In short, it pays management to keep the employee healthy and on the job.

COST OR SAVINGS

We estimate that the additional annual cost of the complete proposed medical program above what is presently being provided will approximate $35.00 per individual covered per year or approximately $2,100,000 for all employees and their dependents serving in foreign countries. The extension of similar benefits to selected Territories and possessions having medical hardship characteristics could be accomplished at approximately the same rate.

It is not believed desirable to charge the employee for these services on a health insurance basis because the employee then has the right to claim certain services which the Government is not equipped to provide overseas.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: HOUSING OF U. S. CITIZEN CIVILIANS OVERSEAS

PROBLEM

There is an acute housing shortage throughout the world. In many underdeveloped areas where we are building bases, there is no commercial housing available. In other areas, most of the housing that is available to U. S. citizen employees is inadequate and decidedly below American standards. The influx of American personnel--both military and civilian--has imposed a severe strain on an already short supply of local housing overseas. The Government's practice of providing government-owned or -leased housing to employees in foreign countries has not kept pace with the tremendous expansion of government operations. As a consequence, more and more employees are drawing quarters allowances. Competition for available commercial housing is intense and this practice tends to keep the rental rates spiraling upward. The Department of Defense has found it necessary to limit the allocation of family quarters to employees in the higher grades - in the Far East GS-12's and above in Europe, GS-7's and above. Also, in some cases Departments do not authorize payment of quarters allowance to employees because Government quarters are "available", even though the Government quarters are inadequate or inappropriate, or are provided only on a temporary or left-over basis. These practices have an adverse effect on morale and present a serious recruiting problem since few men are willing to be separated from their families for two years. Consequently, it is difficult to recruit and retain the best personnel. U. S. citizens serving in foreign countries cannot be expected to purchase or otherwise enter into long-term arrangement for housing for obvious reasons, and lose the equity they would be building up if they were working in the U. S. where they could buy or build.

The inadequacy of housing also contributes to the problem of adjustment of overseas living. Employees forced to live in unsanitary, ill equipped places are dissatisfied and often the first to return to the United States.

PROPOSAL

We are proposing to bring about more uniformity in this field by developing and urging publication of a statement of Executive policy which will establish authority and responsibility for various aspects of the program on a consolidated basis within the Executive Branch of the Government, and will provide principles and criteria upon which agencies can base their housing programs. We would assign the responsibility for all non-defense agency housing to the Department of State. We would suggest criteria for housing civilians in the Defense establishments overseas, and clarify that civilian employees who are not provided appropriate and adequate Government housing or are not integrated completely with military personnel for the assignment of available Government housing are authorized and should be permitted to procure private quarters and draw a quarters allowance. We would encourage the procurement of housing on a short- or long-term lease basis overseas by Departments in lieu of construction where economical and practicable to do so, provide mechanics for central coordination of such programs within overseas areas and suggest integrated programs across agency lines.

ACTION

This proposal will be implemented through publication of an Executive policy as outlined above.

BENEFITS

This program should result in economics on a long-term basis. In place of the current "feast or famine" housing program there should evolve a consistent pattern of construction of Government housing, procurement of privately constructed quarters, and control of commercially obtained quarters in overseas areas. This Government-wide policy should also provide a more firm basis upon which the Congress and the Bureau of the Budget can evaluate agency requirements and proposals in this field. Most important, it should facilitate recruitment and retention of a desirable type of employee and reduce expensive turnover in overseas positions by providing for our overseas employees the essentials of decent living accommodations for bachelor or family life as is customary for U. S. citizens.

COST OR SAVINGS

Housing programs are expensive, and total cost in general will be directly in proportion to the number of people to be housed. However, our program should result in economies on the basis indicated above.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: ALIEN PERSONNEL MANAGEMENT

PROBLEM

The U. S. Government can effect tremendous economies by using alien employees overseas in lieu of recruiting, transporting and sustaining U. S. citizen employees and their families in overseas areas.

However, existing statutes governing Federal employment did not contemplate the use of aliens and the result is frequently the imposition of unreasonable restrictions and requirements when these laws are applied to aliens.

Department of Defense alone employs approximately 70,000 aliens directly and uses another 387,000 aliens on an "indirect-hire" or "contract" basis. State Department and others employ a total of 19,000 aliens overseas.

Typical problem areas are - (1) inadequate social security provisions (see: "Retirement System for Aliens"); (2) inability of the U. S. Government to make foreign tax deductions as is customary in the host countries; (3) inability of the U. S. Government to participate in local benefit systems, such as injury compensation, vs. the U. S. system; (4) inability to contract for personal services when it might be desirable and economical to do so; (5) impracticable restrictions in establishing leave and holiday systems for aliens; (6) absence of separate authority for the establishment of alien pay and fringe benefits; (7) absence of separate authority to recruit and transport aliens within overseas areas; (8) inability to train aliens in basic skills when economical to do so under certain circumstances; (9) inability to provide food, clothing, shelter, to aliens at rates commensurate with their ability to pay when extensive savings to the Government could be made by so doing; (10) the law now requires oath of office, non-strike affidavit, loyalty oath, etc., which in many cases are not appropriate for persons owing allegiance to countries other than the United States.

PROPOSED SOLUTION

In general, our proposals will provide for authorities to cover alien employees under their own laws and to administer them in accordance with their own customs when it is considered practical, economical and desirable to do so. We would sponsor enactment of such legislation as would be required to alleviate problems listed above.

ACTION

We have a project underway looking toward appropriate legislative action. Probably only segments of this legislation will be ready for action this session of Congress.

BENEFITS

Programs for employment of aliens can be developed which will result in increased efficiency and economy and improved relations with aliens and their governments.

COST OR SAVINGS

These proposals will result in monetary savings both in terms of the lower direct costs and in terms of increased use of aliens vs. U. S. citizens overseas.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

CP - 10

December 20, 1954

The White House

Washington

THE CABINET

Overseas Personnel Management (Part A)

The attached approved paper is circulated for the information of Cabinet Members, and for action by the appropriate Departments under the coordination of the President's Adviser on Personnel Management.

The five proposals attached were approved at the Cabinet Meeting of December 17, 1954 (Cabinet RA - 6 of December 20, 1954, item 5). The first four of them will require legislative action, the draft bills for which are available in the office of the Personnel Adviser; the fifth will require only Executive Branch action.

The remaining six proposals attached to the original CP - 10 as Part B received no Cabinet action on December 17 and are to undergo further interagency study under the coordination of the Adviser on Personnel Management.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR ACTION

PROJECT: ALLOWANCES AND DIFFERENTIALS

PROBLEM

Three major systems of allowances are now applicable to American citizen civilian personnel stationed outside the continental United States: foreign area allowances, administered by the Secretary of State under Presidential order; territorial allowances, administered under similar order by the Civil Service Commission; and, maximum 25 percent salary differential provided by law for personnel stationed in the Panama Canal Zone. Administrative practices vary within the systems among agencies and among pay groups. Some of the differences are warranted by differences in circumstances, others are not. It is the consensus of major departments and agencies that a single statute, consolidating existing authority for payment of allowances and differentials for civilian personnel and correcting certain inequities that now exist is highly desirable.

PROPOSED SOLUTION

Our proposed legislation on this subject provides as follows:

1. Quarters Allowance - a. Continues statutory authority to furnish living quarters without cost in foreign areas, or to grant allowances in lieu thereof; b. Extends to employees of all agencies authority to pay a "temporary lodging" allowance upon first arrival at a post, for a period not to exceed 3 months; c. Adds a new provision to permit payment of the "temporary lodging" allowance for a period not to exceed one month immediately prior to final departures; d. Adds water supply to

the utilities to be covered by the quarters allowance; e. Adds provision to permit reimbursement of personnel for unusual expenses incurred in initial repair, alteration and improvement of substandard dwellings; f. Adds exemption from Revised Statutes 3648 to permit advance payments of quarters allowances.

2. Cost-of-Living Allowances

/Foreign Areas7 a. Continues existing authority for payment of post allowances which compensate for living costs higher than in the U. S., initial outfitting costs in connection with transfers between posts, maintenance of separate establishments if conditions at a post preclude taking dependents along; b. Adds authority to pay a transfer allowance upon assignment to duty in the U. S. between foreign assignments; c. Amends the existing "separate maintenance" allowance to permit payment if the separate establishment is away from the post of assignment and not necessarily outside the country of assignment; d. Adds provision for a new allowance, to permit payment of an education allowance and related travel grants; e. Extends authority for payment of representation allowances to all agencies; f. Extends to all agencies authority to pay storage expenses similar to the authority now available to the Foreign Service; g. Extends to all agencies authority to pay costs of unusual housekeeping expenses for top officials, similar to the official residence allotment provided in the Foreign Service Act of 1946 for the principal diplomatic or consular officer at a post; h. Continues authority for payment of post differentials not to exceed 25%

of basic compensation, based on undesirable conditions of environment, and extends this authority to Foreign Service officers and Foreign Service reserve officers not presently covered.

[Territories] a. Continues the cost of living allowance to offset the difference in living costs between the territorial area and Washington, D. C. but eliminates the present 25% limitation; b. Adds provision for payment of the storage allowance on the same basis as is available to employees in foreign areas; c. Continues the authority for payment of post differentials based on undesirable environmental conditions, not to exceed 25% of basic compensation.

3. General Provisions - a. Regulatory authority is vested in the President; b. Allowances and differentials are authorized for employees whose rates of basic compensation are fixed - (1) by statute, (2) administratively.

ACTION

There was submitted to the 83rd Congress a draft of a bill (H.R. 9767) known as the "Overseas Allowances Act of 1954", incorporating to provisions outlined above. We will submit this bill to the 84th Congress early in the first session.

BENEFITS

The proposed bill is based on the principle that the Government should compensate Federal employees overseas (a) for additional expenses associated with overseas service not incurred, or not incurred on a comparable scale, by Federal employees in the States, and (b) for living conditions at overseas posts that are relatively adverse when compared with living conditions in the States. Fundamentally the proposed bill--

(a) Brings about uniformity in overseas allowances and differentials to the extent consistent with conditions. It eliminates unwarranted differences between the territorial and foreign systems; permits extension of all allowances and differentials to employees whose rates of pay are fixed administratively, mainly the wage-board group; and eliminates the many differences that now exist between allowances and differentials for the Foreign Service under the Department of State and those for other Federal agencies in foreign areas.

(b) Codifies in one act various provisions of law now found in numerous separate statutes, and provides a single authority, uniform for all agencies, for allowances and differentials.

(c) Provides a basis for the more efficient and equitable administration of allowances and differentials.

(d) Provides authorities now lacking entirely, or modifies existing authorities, to meet specific problems at foreign posts.

(e) Meets the major problem of allowances in territorial areas by eliminating the statutory 25 percent ceiling on territorial cost-of-living allowances.

COST OR SAVINGS

The cost of the bill, introduced in the 83rd Congress, was estimated at $6,319,008.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: HOME LEAVE

PROBLEM

Employees of the State Department Foreign Service, and of the Foreign Operations Administration and United States Information Agency earn, and may accumulate without limit, home leave in addition to their regular leave, at a rate equivalent to one week for each four months of overseas service. A number of other agencies have indicated that lack of such home leave for their employees overseas has created a serious problem. Government and industry experience indicates that home leave is necessary to permit employees to obtain proper rest and recuperation after service in difficult posts; to permit them to become reacquainted with American ideas and customs after prolonged exposure to foreign influences, and to permit them to visit their family and friends and take an adequate vacation in their own country. Under the current leave system applicable to some of our overseas employees they could not normally accrue enough leave during one overseas tour to take an adequate vacation in the United States. This system results in increased turnover because it makes it necessary for employees to resign if they desire extended leave in the U. S. Turnover in overseas positions is extremely costly for the Government because of the logistics factors, and because of the difficulty in recruiting persons with the required skills and personal characteristics for overseas assignment.

PROPOSED SOLUTION

In a study of private business practices, all companies consulted were found to grant an extended period of home leave in addition to local leave, after 2 or 3 years' service abroad. The most common practice seems to be to grant 1 month home leave for each year spent overseas, except in hardship areas, where this amount is usually increased to 2 months' leave for each year of service. Up to 3 months' home leave for each year's service in a hardship area was granted by one company.

We propose to meet this need for Government employees by extending the home leave benefits currently enjoyed by foreign affairs personnel to all personnel employed by the Government overseas. We would provide administrative controls, however, to preclude granting unwarranted leave benefits.

ACTION

There was submitted to the 83rd Congress a draft of a bill to amend the Annual and Sick Leave Act of 1951, as amended, to provide for home leave. It was introduced and numbered H.R. 9768. We will submit this bill to the 84th Congress early in the first session.

BENEFITS

Suggested legislation to give agencies authority on a permissive basis to grant home leave benefits similar to those granted personnel employed under provisions of the Foreign Service Act of 1946 to all United States citizen employees serving overseas.

COST OR SAVINGS

The immediate cost of the bill, introducedin the 83rd, was estimated at $2,571,750. However, even a slight reduction in the high rate of turnover, as a result of its enactment would offset a large part of this expenditure.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

PROJECT: AMENDMENTS TO THE FOREIGN SERVICE ACT OF 1946

PROBLEM

In March 1954 the Secretary of State established a Public Committee to study the administration of the Foreign Service and to recommend measures to improve the efficiency of operations of the Department of State and the Foreign Service.

The Committee's report, made in June 1954, included a basic proposal that departmental, Foreign Service Officer, Foreign Service Reserve and Foreign Service Staff positions be integrated, to the extent that interchangeability is feasible and desirable, into a single service subject to assignment at home and abroad at the discretion of the Secretary. Certain other recommendations were made, all intended to improve the effectiveness of over-all management and administration.

Most of the recommendations can be carried out to some degree under existing law, but in order to achieve fully the improvements intended some amendments to the Foreign Service Act of 1946, as amended, are required.

PROPOSED SOLUTION

The State Department has developed amendments to the Foreign Service Act of 1946, as amended, limited to those items considered of major importance to implement the Public Committee's recommendations. The general purposes of the proposed amendments are:

1. To permit appointments in classes FSO-1 through FSO-5 to salary steps above the minimum. (Sec. 413)
2. To extend to Foreign Service Officers and Reserve Officers payment of hardship post differentials. (Sec. 443)
3. To make officers of other Government agencies eligible for lateral entry as Foreign Service Officers; and to eliminate the requirement that the qualifying period of service be performed "immediately" prior to appointment as a Foreign Service Officer. (Sec.517)
4. To increase the maximum duration of Foreign Service Reserve Officer appointments from four to five years with authority for a two-year extension. (Sec. 522)
5. To authorize waiver of the four-year limit on assignments of Foreign Service personnel to duty in the United States. (Sec. 571)

6. To authorize negotiation of reimbursement for Foreign Service personnel detailed to other Government agencies. (Sec. 571)
7. To extend the selection-out system to Foreign Service Officers of class 1. (Sec. 633)
8. To limit the amount paid to Foreign Service Officers in classes 4 and 5 who are selected out of the service. (Sec. 634)
9. To discontinue the provision granting Foreign Service Officers time and one-half credit for service at unhealthful posts. (Sec. 853)
10. To establish a home service transfer allowance for Foreign Service personnel assigned to duty in the United States between foreign tours of duty. (Sec. 901)
11. To establish a basis for educational grants to defray part of the expense of educating children of American parents stationed abroad. (Sec. 901)
12. To authorize physical examinations for dependents. (Sec. 943)

ACTION

The proposed bill has been cleared by the Bureau of the Budget for submission to the Congress.

BENEFITS

The proposed bill will constitute an important step toward achievement of badly needed and long over-due improvements in the personnel systems of the Department of State and the Foreign Service by removing some of the highly restrictive features of the Foreign Service Act of 1946, as amended. It will permit better utilization of personnel and simplification of administrative processes.

COSTS

Costs resulting from the proposed amendments as calculated by the Department of State are as follows:

	FY 1955	FY 1956
Later appointments above minimum rate of class	160,000	160,000
Payment of salary differentials to FSOs and FSRs	120,000	480,000
Home service transfer allowances	75,000	175,000
Educational allowances	50,000	442,390
Medical examinations for dependents	7,000	28,000
Totals	412,000	1,285,390

White House overseas Personnel Program
work notes - December 14, 1954.

PROJECT: CAREER CATEGORY FOR U.S.I.A.

PROBLEM

Reorganization Plan No. 8 of 1953 made available to the Director of the U. S. Information Agency certain personnel authorities of the Foreign Service Act of 1946. In transmitting the Plan to Congress, the President stated that he did not consider these personnel arrangements permanently suitable. The authorities available to the Director are limited to the Foreign Service Reserve and the Foreign Service Staff. The statutory four-year limitation on Reserve appointments and the absence of Foreign Service Officer authority leaves our overseas Information Officers without assurance of tenure and makes it difficult for the Agency to retain and develop their services to the maximum extent possible. The limitation on the length of service of Foreign Service Reserve Officers has necessitated appropriation language each year to extend Reserve appointments -- which leaves the Agency in a precarious situation each year since such substantive language in appropriation legislation is subject to a point of order. Thus, the Agency needs a more stable statutory base for its overseas personnel.

PROPOSED SOLUTION

The Agency is proposing legislation to permit the Director to appoint Foreign Service Information Officers without regard to the time limitation imposed on Reserve appointments by the Foreign Service Act. This authority would give the Agency three categories of American personnel -- Foreign Service Information Officers, Foreign Service Reserve Officers and Foreign Service Staff personnel. Salaries, allowances and other benefits will be governed by legislation applicable to the Foreign Service of the Service of the United States and Foreign Service personnel management of the Agency will operate within the framework of the Foreign Service Act. The proposed legislation includes authority to establish Boards of Examiners and Promotion Boards, to separate for cause and to establish probationary periods for Foreign Service Information Officers. The Agency also proposes that Foreign Service Information Officers be given the same retirement and disability benefits as are accorded to Foreign Service Officers of the Department of State.

ACTION

The Agency has prepared a draft bill for submission to the Congress.

BENEFITS

The proposed legislation will give the Agency more stability in its overseas personnel and enable it to retain higher calibre personnel and, to develop their abilities to the utmost.

The Agency expects higher morale and esprit de corps because of this stability which will allow more systematic personnel management.

The legislative proposal will provide a personnel structure similar to that of the Department of State and enable the Agency to maintain a close correlation with the Department in personnel utilization and planning.

COSTS OR SAVINGS

The only costs involved are those resulting from minor salary adjustments in converting present qualified personnel to Foreign Service Information Officers and extension of the Retirement and Disability benefits, accorded to Department of State FSO's, to the Foreign Service Information Officers. The Agency will absorb the cost of salary adjustments. No estimates of cost of extension of the Retirement and Disability benefits are available.

PROJECT: EXTENSION OF THE COMPETITIVE SERVICE OVERSEAS

PROBLEM

Career-type positions under the Civil Service system are filled through competitive examination except when specifically "excepted" from it. "Excepted" means that these positions can be filled by means other than through regular competitive procedures, and that subsequent personnel actions are not in all cases under regular Civil Service rules. Most overseas positions under the Civil Service system (as distinguished from the Foreign Service system, etc.) are currently in the "excepted" category. This has precluded many competent persons in the United States from taking positions overseas where their services were needed because they would lose status in their positions. It has also meant that persons with good service records overseas could not return directly to positions in the United States because they have not been recruited through competitive procedures. It has also meant that agencies have not had the advantages of regular Civil Service recruitment and examination procedures for their overseas positions. There are approximately 44,500 positions in the excepted service overseas, of which a large number are in the Department of Defense.

PROPOSED SOLUTION

The Department of Defense and the Civil Service Commission have developed plans whereby the competitive service would be extended to almost all overseas positions occupied by United

States, and recruitment would be conducted in accordance with competitive procedures.

ACTION

This action should be consummated during the next calendar year. It will probably take the form of Amendment to Regulations and/or Departmental Circulars issued by the Civil Service Commission placing all such overseas positions in the competitive service. The Civil Service Commission and the various agencies affected are working out plans for implementation of this order which will result in the minimum practicable of disruption of existing recruitment procedures.

BENEFITS

Career employees in the United States can transfer overseas without losing status in their positions.

Career-type employees who have proven their ability in overseas positions can be transferred back to positions in the United States.

All persons recruited overseas will be screened through normal competitive requirements.

COST OR SAVINGS

The cost of this program will be only the additional administrative costs. The Civil Service Commission estimates an additional cost to them of approximately $200,000.

WHITE HOUSE OVERSEAS PERSONNEL PROGRAM
WORK NOTES
December 14, 1954

RA - 7

January 4, 1955

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the item presented at the joint meeting of the Cabinet and the Republican Legislative Leaders, Monday, January 3, 1955:

Item	Document Number
1. State of the Union Message	CP - 11

ACTION: The President discussed the State of the Union Message with the Cabinet and the Republican Legislative Leaders. Certain of the suggestions made at this meeting will be incorporated by the President in the final draft of this Message.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR ACTION

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 9-7-77

COMBINED CABINET-LEGISLATIVE CONFERENCE ON THE STATE OF THE UNION MESSAGE

Monday, January 3, 1955
2:15 P. M. - circa 4:30 P. M.

The following were present:

The President

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Amb. Lodge
Chairman Young

Sen. Knowland
Sen. Bridges
Sen. Saltonstall
Sen. Millikin
Speaker Martin
Rep. Halleck
Rep. Arends
Rep. Leo Allen

Gov. Adams
Gen. Persons
Dr. Arthur Burns

Mr. Hagerty
Mr. Shanley
Mr. Rockefeller
Mr. Morgan
Mr. Harlow
Dr. Hauge
Mr. McCann
Mr. Murray Snyder
Mr. Rabb
Mr. Minnich

The President opened the meeting and immediately turned it over to Mr. Harlow to recapitulate the current draft of the State of the Union message. He invited those present to interject their comments at any time as Mr. Harlow proceeded. Numerous minor changes in wording were suggested by most of those present. Significant extended discussions centered on the following subjects.

Military Program - Senator Bridges suggested that the political opposition would strike sharply against the Administration program for reducing military manpower. The President immediately began to express at length his views on the nature of a future war and preparations for such a situation along the lines stated in the Bipartisan Legislative Conference

~~CONFIDENTIAL~~

of December 14, 1954. He indicated he would prepare for broad public dissemination a single document focusing on this subject alone (the exchange of letters with Sec. Wilson on January 3-5, 1955). He expressed his thought that there would be no fighting on the fringes as in Korea during any future general war, for the fighting would all be directed at the heart of enemy strength, and the fate of the fringes would depend upon that.

Taxes - The President questioned the advisability of making mention of any hope that taxes could be reduced in 1956. Sec. Humphrey urged strongly that it be done. Sen. Saltonstall believed the emphasis should be put on the hope that the President could recommend a reduction then. The President commented to Sec. Humphrey that on most things the Secretary stressed the need for balancing the budget, but that when it came to tax reduction the Secretary seemed eager to anticipate savings which might be developed later. The President warned that it would not be possible in the future to develop any more large reductions in expenditures. He concluded by agreeing to mention such a hope for reductions but that the Secretary of the Treasury would have to take the responsibility for it.

Mr. Hughes believed the reduction possible if the Administration continued its present policies. Sec. Dulles believed that growth in the national economy could be the only basis for a future reduction. Sec. Wilson preferred to omit the statement since Defense programs constantly become more complex and therefore expensive. Sec. Humphrey felt that the new complex devices made possible correlative reductions in other areas.

Sen. Knowland turned to the political aspects of the question and cautioned against the statement on the basis that the Administration would in any event obtain credit for any tax reduction in 1956 and that a premature mention of it constituted a risk which the opposition would exploit if the reduction failed to materialize. Rep. Halleck preferred to retain the statement and asserted that there would have to be a tax reduction in 1956 without regard to the situation in the budget. Sen. Knowland disagreed.

The President concluded the discussion by cautioning the Cabinet not to assume that the statement was of earth-shaking importance.

Water Resources - Rep. Halleck questioned if this section had been coordinated with the Hoover Commission Task Force. Director Hughes reported that it had been discussed with Adm. Moreell who believed Mr. Hoover could not support it but would not oppose it publicly. Moreell believed the Administration was compelled to make such a statement.

The President stressed the need for making full utilization of water resources in view of the continued drought. Sen. Millikin believed the Administration had to say at least as much as it did in 1954. He wished additional references made to Colorado projects. The Vice President agreed that the Administration could not back down on its previous commitments.

In response to a question from Sen. Millikin on what constituted overall water policy, the President replied that the Cabinet Committee awaited

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76
The Dwight D. Eisenhower Library

the report of the Hoover Commission and that it hoped to develop a broad, long-term policy in contrast with current piecemeal efforts. Senator Millikin suggested that the measure as drafted might inspire fears of super Authorities in the western States. The President indicated that such were not intended, and that it was extremely important to him to develop the broad policy in order that there would be no futile expenditures of billions of Government money by piecemeal action.

Public Works - Sen. Saltonstall noted the absence of any new programs for rivers, harbors, maritime commerce, etc. The President recalled programs initiated previously and continuing in their effect.

Highway Program - Rep. Halleck hoped that the Leadership could review the Highway measure before it is sent to Congress. The President agreed that would be done.

Public Housing - Rep. Halleck suggested that a clear statement be made of Administration hopes to end public housing after two more years. He warned specifically against a previous Housing Administration practice of contracting in advance of authorization. Sen. Saltonstall was concerned that the recommended additional 70,000 units be utilized for those projects already agreed upon prior to making them available to newly proposed projects.

Health Program - Sen. Millikin foresaw much controversy on any modification of the formula for grants-in-aid for Public Assistance. The President noted that the Federal Government currently pays up to 80% of cost. He felt Federal contributions for grants-in-aid programs should never exceed 50%.

Minimum Wage - Rep. Halleck questioned the desirability from an agricultural viewpoint of increasing the minimum wage to 90¢. The President recounted the reasons for increasing the level and cited the absence of any great impact, other than psychological, upon farmers.

Postal Legislation - The President emphasized the desirability of setting up a separate commission to establish postal rates to avoid demagoguery. Sen. Millikin believed that could not be effected. Rep. Halleck thought that a recommendation for such would be helpful in obtaining the essential basic change of rates. The President commented on the increasing impossibility of a Congressional "Board of Directors" administering the details of the greatly enlarged Federal Government. Rep. Halleck cited the similar change effected by the ICC legislation. Sen. Bridges believed salaries also should be regulated by a commission.

Federal Employees' Social Security - On a question of whether the extension of social security would apply to all Federal employees, the President emphatically directed that the Administration avoid any recommendation which would adversely affect the pension rights of military personnel. He stressed the contractual nature of retirement pay and asserted that military personnel had traditionally accepted inadequate pay only because of the attraction of other benefits. He believed it improper to call these benefits "fringe benefits", for they lay at the heart of the military system. He stressed his great concern over the large numbers of young people quitting the military service.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By RHC NLE, Date 9-7-77

Voting Age - The President stated that his position in regard to lowering the voting age would logically indicate 19 as the proper age. In reply to Sen. Bridges' comment that a reduction would be adverse to the interests of the Republican Party, the President disagreed and felt that the Party responsible for a reduction would gain the support of innumerable young people.

Foreign Policy - China - Sen. Knowland suggested a revision of wording as related to the American prisoners being held by the Chinese Communists. Rep. Halleck questioned whether Sen. Knowland's wording meant that the United States would go to war if necessary to obtain their release. Sen. Knowland replied that the phrase did not so state. Sec. Dulles suggested that comment be withheld until additional time could be had for the Hammarskjold mission to take effect. The President commented that the timing of statements was often more important than the content, and that any statement on this subject would better be made at a later date.

National Awards - The President pointed to the absence of any system of National Awards for excellence and suggested the desirability of instituting the practice. He stated that he would pursue the subject for possible use in the State of the Union message provided no objections were forthcoming at this meeting. No objections were offered.

* * * *

The President raised the question as to whether bipartisan consultation on this message would be in order. Rep. Halleck believed it unnecessary since the content did not deviate from what was discussed at the December Bipartisan meeting. Sen. Saltonstall agreed.

Rep. Halleck suggested the desirability of having the Democratic Chairman of the Rules Committee attend any bipartisan meetings. Joe Martin suggested that any approach be made through Speaker Rayburn. The President directed General Persons to look into the matter.

L. A. Minnich, Jr.
Assistant Staff Secretary

Distribution:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

CA - 7

January 3, 1955

The White House

Washington

THE CABINET

(Joint Meeting with the Republican Legislative Leaders)

Cabinet Agenda

2:00 PM
Monday, January 3, 1955

1. State of the Union Message   CP - 11   The President

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

THIS IS COPY NUMBER: 57

CP - 11
January 2, 1955

The White House
Washington

THE CABINET

State of the Union Message

For consideration by the Cabinet, meeting jointly with the Republican Legislative Leaders, attached is a copy of the draft, as of the above date, of the President's State of the Union Message.

The Cabinet distribution of this paper is being LIMITED, and special precautions are requested to ensure its being held in complete confidence.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

THIS IS COPY NUMBER: 57

Eighth Draft
January 2, 1955

MR. PRESIDENT, MR. SPEAKER, MEMBERS OF THE CONGRESS --

First, I extend cordial greetings to the 84th Congress. We shall have much to do together; I am sure that we shall get it done -- and, that we shall do it in harmony and good will.

At the outset, I believe it would be well to remind ourselves of this great fundamental in our national life: our common belief that every human being is divinely endowed with dignity and worth and inalienable rights. This faith, with its corollary -- that to grow and flourish people must be free -- shapes the interests and aspirations of every American.

From this deep faith have evolved three main purposes of our Federal Government:

First, to maintain justice and freedom among ourselves and, as we champion them for others and work for enduring peace, to keep our nation strong and secure;

Second, to help keep our economy vigorous and expanding, thus assuring better jobs, better living, better opportunities for every citizen;

And third, to concern ourselves with the human problems of our people so that every American may have the opportunity to lead a healthy, productive and rewarding life.

Foremost among these broad purposes of government is our support of freedom, justice and peace.

It is of the utmost importance that each of us understand the true nature of the struggle now taking place in the world.

It is not a struggle merely of economic theories, or of forms of government, or of military power. At issue is the true nature of man. Either man is the creature whom the Psalmist described as "a little lower than the angels," crowned with glory and honor, holding "dominion over the works" of his Creator; or man is a soulless, animated machine to be enslaved, used and consumed by the state for its own glorification.

It is, therefore, a struggle which goes to the roots of the human spirit, and its shadow falls across the long sweep of man's destiny. The prize is so precious, so fraught with ultimate meaning, that it evokes the whole effort of the contending forces in the world.

CABINET PAPER
FOR CONSIDERATION

This is why our antagonists confront us with a near fanaticism. This is why we must dedicate our full efforts to the advancement of our cause for peace, for justice, for freedom -- for the fulfillment of the true nature of man.

In the past year, there has been progress justifying hope, both for continuing peace and for the ultimate rule of freedom and justice in the world. Free nations are collectively stronger than at any time in recent years.

Just as nations of this Hemisphere, in the historic Caracas and Rio conferences, have closed ranks against imperialistic Communism and strengthened their economic ties, so free nations elsewhere have forged new bonds of unity. Recent agreements between Turkey and Pakistan have laid a foundation for increased strength in the Middle East. With our understanding support, Egypt and Britain, Yugoslavia and Italy, Britain and Iran have resolved dangerous differences. The security of the Mediterranean has been enhanced by an alliance among Greece, Turkey and Yugoslavia. Agreements in Western Europe have paved the way for unity to replace past divisions which have undermined Europe's economic and military vitality. The defense of the West appears likely at last to include a free, democratic Germany participating as an equal in the councils of NATO. In Asia and the Pacific, the pending Manila Pact supplements our treaties with Australia, New Zealand, the Philippines, Korea and Japan and our prospective treaty with the Republic of China. These pacts stand as solemn warning that future military aggression and subversion against the free nations of Asia will meet united action. The Pacific Charter, also adopted at Manila, is a milestone in the development of human freedom and self-government in the Pacific area.

Under the auspices of the United Nations, there is promise of progress in our country's plan for the peaceful use of atomic energy. There is reason for cautious optimism respecting the limitation of armaments.

Finally, today the world is at peace. It is, to be sure, an insecure peace. Yet all humanity finds hope in the simple fact that for an appreciable time there has been no major battlefield on earth.

Such facts are heartening indeed, and we are hopeful of continuing progress. But sobering facts remain.

The massive military machines and ambitions of the Soviet-Communist bloc still create uneasiness in the world. All of us are aware of the continuing reliance of the Soviet Communists on military force, of the growing power of their weapons, of their present resistance to realistic armament limitation, and of their continuing effort to dominate or intimidate free nations on their periphery. Theirs is the steadily increasing power to bring on a nuclear holocaust which could leave their own nation and much of the world in ruins.

To protect all people from this catastrophe, each of us, and the leaders of every government, have the high duty to strive in every honorable way for an enduring peace. As part of this effort, free nations must maintain countervailing military power to persuade the Communists of the futility of seeking their ends through aggression and threats of force. If Communist rulers understand that America's response to aggression will be swift and decisive -- that never shall we buy peace at the expense of honor or faith -- they will be powerfully deterred from launching a military venture engulfing their own and all other peoples in disaster.

The military threat is but one menace to our freedom and security. We must not only deter aggression; we must also frustrate the effort of Communists to gain their goals by subversion. To this end, free nations must maintain and reinforce their cohesion, their internal security, their political and economic vitality, and their faith in freedom.

In such a world, America's course is clear:

We must tirelessly labor to make the peace more just and durable.

We must strengthen the collective defense under the United Nations Charter and gird ourselves with sufficient military strength and productive capacity to discourage resort to war and protect our nation's vital interests.

We must continue to support and strengthen the United Nations. At this very moment, by vote of the United Nations General Assembly, its

Secretary-General is in Communist China on a mission of deepest concern to all Americans: seeking the release of fifteen American aviators and all other prisoners wrongfully detained by the Communist regime.

We must also continue the progress being made in the United Nations to limit armaments and to harness the atom to peaceful use.

We must expand international trade and investment and assist friendly nations until, through their own efforts, they can achieve the strength essential to the security of the free world.

We must be willing to use the processes of negotiation whenever they will serve the cause to which the United States and other free nations are dedicated.

We must carry forward our educational exchange program. This sharing of knowledge and experience between our citizens and those of free countries is a powerful factor in the development and maintenance of true partnership among free peoples.

And, through a vigorous information program, we must, in respect to all these matters, keep the peoples of the world truthfully advised of our actions and purposes.

To advance these many efforts, the Congress must act in this session on appropriations, legislation, and treaties. Today I shall mention especially our foreign economic and military programs.

The recent economic progress in many free nations has been most heartening. The productivity of labor and the production of goods and services are increasing in ever-widening areas. There is a growing will to increase the living standards of all men. This progress is important to all our people. It promises us allies who are strong and self-reliant as well as friendly; it promises a growing world market for the products of our mines, our factories, and our farms.

But only through steady effort can we hope to continue this progress. Barriers still impede trade and the flow of capital needed to develop each nation's human and material resources. Wise reduction of these barriers is a long-term objective of our foreign economic policy -- a policy of an evolutionary and selective nature, assuring broad benefits to our own and other peoples.

We must gradually reduce certain tariff obstacles to trade. These actions should, of course, be accompanied by a similar lowering of trade barriers by other nations, so that we may move steadily toward greater economic advantage for all. We must further simplify customs administration and procedures. We must facilitate the flow of capital and continue technical assistance, directly and through the United Nations, to less developed countries to strengthen their independence and raise their living standards. Many another step must be taken in and among the nations of the free world to release forces of private initiative -- forces which, in our own nation, have brought strength and prosperity and which will enable these countries to buy the products of American industry, labor and agriculture.

On January 10, by special message, I shall submit specific recommendations for carrying forward those phases of this policy that require legislation. For more effective coordination of this policy, I shall later report changes in organization within the Executive Branch.

Our many efforts to build a better world include the maintenance of our military strength. This is a vast undertaking. Major national security programs consume two-thirds of the entire Federal budget. Over four million Americans -- servicemen and civilians -- are on the rolls of the defense establishment. During the past two years, by eliminating duplication and overstaffing, by improved procurement and inventory controls, and by concentrating on the essentials, many billions of dollars have been saved in the defense establishment. I should like to mention certain fundamentals underlying this vast program.

First, a realistic limitation of armaments and an enduring, just peace remain our national goals; we maintain powerful military forces because there is no present alternative -- forces designed for deterrent and defensive purposes alone but able to strike back with paralyzing power in response to an attack.

Second, we must stay alert to the fact that undue reliance on one weapon or preparation for only one kind of warfare simply invites an enemy to resort to another. We must, therefore, keep in our armed forces balance and flexibility adequate for our purposes and objectives.

Third, to keep our armed forces abreast of the advances of science, our military planning must be flexible enough to utilize the new weapons and techniques which increasingly flow from our research and development programs. The forthcoming military budget therefore emphasizes modern airpower in the Air Force, Navy and Marine Corps and increases the emphasis on new weapons, especially those of rapid and destructive striking power. It assures the maintenance of effective, retaliatory force as the principal deterrent to overt aggression.

It accelerates the continental defense program and the build-up of ready military reserve forces. It continues a vigorous program of stockpiling strategic and critical materials and strengthening our mobilization base. It contemplates the strategic concentration of strength through redeployment of certain of our forces. It provides for reduction of forces in certain categories and their expansion in others, to fit them to the military realities of our time. These emphases in our defense planning have been made at my personal direction after long and thoughtful study. In my judgment, they will give our nation a defense accurately adjusted to the national need.

Fourth, pending a world agreement on armament limitation, we must continue to improve and expand our supplies of nuclear weapons for our land, naval and air forces while, at the same time, continuing our encouraging progress in the development of atomic power.

And fifth, in the administration of these costly programs, we must demand the utmost in efficiency and ingenuity so as to assure our people not only of adequate protection but also of a defense that can be carried forward from year to year until the threat of aggression has disappeared.

To help maintain this kind of armed strength and improve its efficiency, I must urge the enactment of several important measures in this session.

The first concerns the selective service act which expires next June 30th. For the foreseeable future, our standing forces must remain much larger than voluntary methods can sustain. We must, therefore, extend the statutory authority to induct men for two years of military service.

The second kind of measure concerns the rapid turnover of our most experienced servicemen. This process seriously weakens the combat readiness of our armed forces and is exorbitantly expensive. To encourage more trained servicemen to remain in uniform, I shall, on the thirteenth of this month, propose a number of measures to increase the attractions of a military career. These measures will include more adequate medical care for dependents, survivors' benefits, more and better housing, and selective adjustments in military pay and other allowances.

And third -- also on January 13 -- I shall present a program to rebuild and strengthen the civilian components of our armed forces. This is a comprehensive program, designed to make better use of our manpower of military age. Because it will go far in assuring fair and equitable participation in military training and service, it is of particular importance to our combat veterans.

To maintain an effective defense, we must continue our aggressive attack on subversion. In this effort we have,in the past two years, made excellent progress. FBI investigations have been powerfully reinforced by a new Internal Security Division in the Department of Justice; the security activities of the Immigration and Naturalization Service have been revitalized; strengthened security regulations have been applied throughout the government; the Department of Justice and the FBI have been armed with effective new legal weapons forged by the 83rd Congress.

We shall continue to ferret out and destroy Communist subversion.

We shall, in the process, carefully preserve our traditions and the basic rights of our citizens.

Our civil defense program is also a key element in the protection of our country. We are developing cooperative methods with State Governors, Mayors, and voluntary citizen groups, as well as among Federal agencies, in building the civil defense organization. Its significance in time of war is obvious; its swift assistance in disaster areas last year proved its importance in time of peace.

An industry capable of rapid expansion and essential materials swiftly available in time of emergency are indispensable to our defense. I urge, therefore, a two-year extension of the Defense Production Act and Title II of the First War Powers Act of 1941. These are cornerstones of our program for the development and maintenance of an adequate mobilization base.

* * * *

Our efforts to defend our freedom and to secure a just peace are, of course, inseparable from the second great purpose of our government: to help maintain a strong, growing economy -- an economy vigorous and free, in which there are ever-increasing opportunities, just rewards for effort, and a prosperity that is widely shared.

In the past two years, many important governmental actions helped our economy adjust to conditions of peace; these and other actions created a climate for renewed economic growth. Controls were removed from wages, prices and materials. Tax revisions encouraged increased private spending and employment. Federal expenditures were sharply reduced, making possible a record tax cut. These actions, together with flexible monetary and debt management policies, helped to halt inflation and stabilize the value of the dollar. A program of cooperation and partnership in resource development was begun. Social security and unemployment insurance laws were broadened and strengthened. New laws started the long process of balancing farm production with farm markets. Expanded shipbuilding and stockpiling programs strengthened key sectors of the economy, while improving our mobilization base. A comprehensive new housing law brought impressive progress in an area fundamental to our economic strength and closed loopholes in the old laws permitting dishonest manipulations.

And so, today, the transition to a peacetime economy is largely behind us, and the economic outlook is good.

The past year -- 1954 -- was one of the most prosperous years in our history. Business activity now surges with new strength. Production is rising. Sixty-two million people have jobs. Toward the end of last year average weekly wages in manufacturing were higher than ever before. Personal income after taxes is at a record level. So is consumer spending. Construction activity is reaching new peaks. Export demand for our goods is strong. State and local government expenditures on public works are rising. Savings are high, and credit is readily available.

While these many promising factors do not guarantee sustained economic expansion, they do give us a strong position from which to carry forward our economic growth. If we as a people act wisely, within ten years our annual national output can rise from its present level of nearly $360 billion to $500 billion, measured in dollars of stable buying power.

My Budget Message on January 17, the Economic Report on the 20th of this month, and several special messages will set forth in detail major programs affecting our economy. Today I shall discuss these programs only in general terms.

As in the past two years, government efficiency and economy remain essential to steady progress toward a balanced budget. In the 1954 fiscal year, the previously planned spending program was reduced by more than ten billion dollars, and six and a half billions less were actually spent than in the preceding fiscal year. In the current fiscal year, government spending will be nearly four and a half billion dollars less than in the fiscal year which ended last June 30. New spending authority has been held below expenditures, reducing government obligations accumulated over the years. Thus we have laid the basis for tighter control of expenditures and lower taxes in the future.

Last year we had a large tax cut and, for the first time in seventy-five years, a basic revision of Federal tax laws. It is now clear that defense and other essential government costs must remain at a level precluding further tax cuts this year. Although excise and corporation income taxes must, therefore, be continued at their present rates, further tax cuts will be possible when justified by expenditure reductions and by revenue increases arising from the nation's economic growth. I am hopeful that such cuts can be made next year.

At the foundation of our economic growth are the raw materials and energy produced from our minerals and fuels, lands and forests, and water resources. With respect to them, I believe that the nation must adhere to three fundamental policies: first, to develop, wisely use and conserve basic resources from generation to generation; second, to follow the historic pattern of developing these resources primarily by private citizens under fair provisions of law, including restraints for proper conservation; and third, to treat resource development as a partnership undertaking -- a partnership in which the participation of private citizens and State and local governments is as necessary as Federal participation.

This policy of partnership and cooperation is producing good results, most immediately noticeable in respect to water resources. First, it has encouraged local public bodies and private citizens to plan their own power sources and to seek licenses to build hydroelectric plants in coordination with Federal projects. Increasing numbers of applications to the Federal Power Commission to conduct surveys and prepare plans for power development, notably in the Columbia Basin, are evidence of local response.

Second, the Federal Government and local and private organizations have been encouraged to coordinate their developments with over-all plans. This is important because Federal hydroelectric developments supply but a small fraction of the nation's power needs. Such partnership projects as Priest Rapids in Washington, the Coosa River development in Alabama, and Markham Ferry in Oklahoma already have the approval of the Congress. This year justifiable projects of a similar nature will again have Administration support.

Third, the Federal Government must shoulder its own partnership obligations by undertaking projects of such complexity and size that their success requires Federal development. In keeping with this principle, I again urge approval of the Upper Colorado River Basin Development.

In addition, the 1956 budget will recommend initial appropriations for six reclamation projects and more than thirty projects to be constructed by the Corps of Engineers. Going projects and investigations of potential new resource developments will be continued.

Although this partnership approach is producing encouraging results, its full success requires a new, comprehensive water resources policy firmly based in law. Such a policy is under preparation and when completed will be submitted to the Congress.

In the interest of their proper conservation, development and use, continued vigilance will be maintained over our fisheries, wildlife resources, the national parks and forests, and the public lands; and we shall continue to encourage an orderly development of the nation's mineral resources.

A modern, efficient highway system is essential to meet the needs of our growing population, our expanding economy, and our national security. We are accelerating our highway improvement program as rapidly as possible under existing State and Federal laws and authorizations. However, this effort will not in itself assure our people of an adequate highway system. On my recommendation, this problem has been carefully considered by the Conference of State Governors and by a special Advisory Committee on a National Highway Program, composed of leading private citizens. I have received the recommendations of the Governors' Conference and will shortly receive the views of the special Advisory Committee. Aided by their findings, I shall submit on January 27th detailed recommendations which will meet our most pressing national highway needs. Other measures to strengthen our land, air and water transport systems are receiving close attention and may result in recommended legislation later in this session.

The nation's public works activities are tremendous in scope. More than $12 billions are expected to be expended in 1955 for the development of land, water and other resources; control of floods; construction of roads, schools, municipal water supplies, and disposal of domestic and industrial wastes. Many of the Federal, State and local agencies responsible for this work are, in their separate capacities, highly efficient. But public works activities are closely inter-related and have a substantial influence on the growth of the country. Moreover, in times of threatening economic contraction, they may become a valuable sustaining force. To these ends, efficient planning and execution of the nation's public works require both coordination of Federal activities and effective cooperation with State and local governments.

The Council of Economic Advisers, through its public works planning section, has made important advances during the past year in effecting this coordination and cooperation. In view of the success of these efforts, and to make positive and continuous this essential coordination, I shall request the Congress to appropriate funds for the support of an Office of Coordinator of Public Works in the Executive Office of the President.

A most significant element in our growing economy is an agriculture that is stable, prosperous and free. The problems of our agriculture have evolved over many years and cannot be solved overnight; nevertheless, governmental actions last year hold great promise of a better balance between production and markets and, consequently, a better and more stable income for our farmers.

Through vigorous administration and through new authority provided by the 83rd Congress, surplus farm products are now moving into consumption. From February 1953 through November of last year, the rate of increase of government-held surpluses has been reduced by our moving into use more than 2.3 billion dollars' worth of government-owned farm commodities; this is equal to more than seven per cent of a year's production of all our farms and ranches. Domestic consumption remains high, and farm exports will be higher than last year. As a result of the flexibility provided by the Agricultural Act of 1954, we can shortly begin to make acreage controls less restrictive.

Thus, farm production is gradually adjusting to markets, markets are being expanded, and stocks are moving into use. We can now look forward to an easing of pressure on farm prices and to reduced government expenditures for purchase of surplus products.

Greater attention must be directed to the needs of low-income families. Twenty-eight per cent of our farm operator families have net cash incomes of less than $1,000 per year. Last year, at my request, a careful study was made of this problem. I shall later submit recommendations designed to assure its steady alleviation.

Because drought also remains a serious agricultural problem, I shall recommend legislation to strengthen Federal disaster assistance programs. This legislation will prescribe an improved appraisal of need, better adjustment of the various programs to local conditions, and a more equitable sharing of costs between the States and the Federal Government.

* * * *

We come now to the third great purpose of our government -- its concern for the health, productivity and well-being of all our people.

Every citizen wants to give full expression to his God-given talents and abilities and to have the recognition and respect accorded under our religious and political traditions. Americans also want a good material standard of living -- not simply to accumulate possessions, but to fulfill a legitimate aspiration for an environment in which their families may live meaningful and happy lives. Our people are committed, therefore, to the creation and preservation of opportunity for every citizen to lead a more rewarding life. They are equally committed to the alleviation of misfortune and distress among their fellow citizens.

The aspirations of most of our people can best be fulfilled throught their own enterprise and initiative, without government interference. This Administration, therefore, follows two simple rules: first, the Federal Government should perform an essential task only when it cannot otherwise be successfully performed; and second, in performing that task, our government must not impair the self-respect, freedom and incentive of the individual. I am convinced that the government can meet this obligation without creating a domineering, central bureaucracy or a listless, dependent population.

Notable advances were made by the 83rd Congress in this area of government. Protection of old-age and survivors' insurance was extended to an additional ten million of our people, and the benefits were substantially increased. Legislation was enacted to provide unemployment insurance protection to some four million additional Americans. Stabilization of living costs and the halting of inflation protected the value of pensions and savings. A broad new program now helps to bring good homes within the reach of our people. We are providing rehabilitation facilities and more clinics, hospitals, and nursing homes for patients with chronic illnesses. With the States we have begun a great and fruitful expansion in the restoration of disabled persons to employment and useful lives. We have made historic progress in eliminating from among our people demeaning practices based on race or color.

All of us may be proud of these achievements during the past two years. Yet essential Federal tasks remain to be done.

We must continue our program to help our Indian citizens improve their lot and make their full contribution to national life.

As part of our efforts to provide decent, safe and sanitary housing for low-income families, we must enact a firm program of 35,000 public housing units in each of the next two fiscal years. This program will meet requirements into 1958 for planning and building public housing. By that time the private building industry, aided by the Housing Act of 1954, will have had the opportunity to assume its full role in providing adequate housing for our low-income families.

A major problem still confronting our people is the high, ever-rising cost of medical care. Despite recent progress, we need more hospitals, more nursing homes, more clinics, more treatment centers. We need more nurses and health technicians.

By special message on January 24, I shall propose a coordinated health program which envisions new legislation and improvement of existing services. This program will once and for all reject the philosophy of socialized medicine. It will emphasize individual and local responsibility. Under it the Federal Government will neither dominate nor direct, but serve only as a helpful partner. Within this framework, the program can be broad in scope.

My recommendations will include a Federal health reinsurance service to encourage more and better voluntary health insurance by private and non-profit companies. I shall also submit my recommendations for a program of separate grants to improve the medical care of that group for which the Federal Government has already assumed a measure of responsibility -- those who are on the rolls of the Federal-State public assistance program. I shall also propose new measures to facilitate construction of needed health facilities and measures to help reduce shortages of trained health personnel. Vigorous steps will be proposed to combat the misery and national loss involved in mental illness. Improved services will be recommended for maternal and child health. More adequate consumer protection under our existing pure food and drug laws will be proposed, as well as strengthened programs of research to help prevent pollution of our air and water. These measures together constitute a comprehensive program holding rich promise for better health for all of our people.

In view of the expansion last year of social security coverage and the improved medical care proposed for public assistance recipients, consideration should be given in this session to modification of the formula for Federal sharing in public assistance payments.

The opportunity for a good education is part of the birthright of every American child. Special attention to the educational needs of our younger citizens now presses upon us. Problems of teacher shortages and inadequate school facilities are acute.

I am confident that sound proposals for meeting these problems will be developed as a result in the conferences on education which will be held in the forty-eight States and the Territories early this year. These vitally important meetings, financed in part by funds appropriated by the last Congress, will culminate in a White House Conference in November, to which we can look for wise counsel

Meanwhile, at the Federal level we are exploring possibilities of immediate Federal action, within the existing framework of State and local responsibilities, for encouraging more school construction.

To help the States do a better and more timely job, we must strengthen their resources for preventing and dealing with juvenile delinquency. I shall propose Federal legislation to assist the States to promote concerted action in dealing with this nation-wide problem. I shall also carry forward the vigorous efforts of the Administration, in cooperation with State and local agencies, to combat narcotic addiction in our country.

The undertakings I have just discussed are, of course, of interest to all of our people. I should like to speak now of some additional matters of interest especially to our working men and women.

During the past year certain industrial relocations and the readjustment of the economy to conditions of peace brought unemployment and other difficulties to various localities and industries. These problems are engaging our most earnest attention. But for the overwhelming majority of our working people, the past year has meant good jobs. Moreover, workers' earnings are no longer depreciating in value. More workers than ever before are now members of unions of their own choice. Fewer working days are being lost because of labor-management disputes.

The outlook for our working men and women can be made still more promising by several legislative actions.

First, in the past five years we have had economic growth which will support an increase in the Federal minimum wage. In the light of present economic conditions, I recommend its increase to ninety cents an hour. I also urge the Congress to consider whether many others, at present excluded, may now be given the protection of the minimum wage law.

Second, I renew my recommendation of last year for amendment of the Labor Management Relations Act of 1947 to further the basic objectives of this statute. I especially call to the attention of the Congress amendments dealing with the right of economic strikers to vote in representation elections and the need for equalizing the obligation under the Act to file disclaimers of Communist affiliation.

Third, the Administration will propose important measures respecting occupational safety, workmen's compensation for longshoremen and harbor workers, District of Columbia unemployment compensation, and the "Eight Hour Laws" applicable to Federal contractors.

In considering human needs, the Federal Government must take special responsibility for citizens in its direct employ. On January 11 I shall propose a pay adjustment plan for civilian employees outside the Postal Field Service to correct inequities and increase individual pay rates, and I shall also recommend voluntary health insurance on a contributory basis for Federal employees and their dependents. In keeping with the Group Life Insurance Act passed in the 83rd Congress, this protection should be provided on the group insurance principle and purchased from private facilities. Also on January 11 I shall recommend a modern pay plan, including pay increases, for postal field employees. As part of this program, I shall renew my request for an increase in postal rates and again urge that in the future the fixing of rates be delegated to an impartial, independent body. Broader training programs to equip career employees of the government to render improved public service, as well as revised and extended benefits for employees serving on foreign assignments, will also be recommended.

Needed improvements in survivor, disability and retirement benefits for Federal civilian and military personnel have been extensively considered by the Committee on Retirement Policy for Federal Personnel. I endorse the broad objectives of the Committee's proposals. Full coverage under old age and survivors' insurance should be made promptly available to all Federal personnel. Existing staff retirement systems should be appropriately changed and retained as separate, independent entities.

I also urge the Congress to approve a long overdue increase in the salaries of Members of the Congress and of the Federal judiciary to a level commensurate with their heavy responsibilities.

Our concern for the individual in our country requires that we consider several related problems. Two years ago I advised the Congress of injustices under existing immigration laws. Through humane administration, the Department of Justice is doing what it legally can to alleviate hardships. Clearance of aliens before arrival has been initiated, and except for criminal offenders, the imprisonment of aliens awaiting admission or departation has been stopped. Certain statutory provisions, however, have the effect of compelling action in respect to aliens which is inequitable.These provisions should be corrected in this session of the Congress.

As the complex problems of Alaska are resolved, that Territory should expect to achieve statehood. In the meantime, there is no justification for deferring the admission to statehood of Hawaii. I again urge approval of this measure.

We have three splendid opportunities to demonstrate the strength of our belief in the right of suffrage. First, I again urge the Congress and the States to reduce the voting age for Federal elections. Second, I renew my request that the principle of self-government be extended and the right of suffrage granted to the citizens of the District of Columbia. Third, I again recommend that we work with the States to preserve the voting rights of citizens in the nation's service overseas.

In our determination to keep faith with those who in the past have met the highest call of citizenship, we now have under study the system of benefits for veterans and for surviving dependents of deceased veterans and servicemen.

Every citizen rightly expects efficient and economical administration of these many government programs I have outlined today. I strongly recommend extension of the Reorganization Act and the law establishing the Commission on Intergovernmental Relations, both of which expire this spring. Thus the Congress will assure continuation of the excellent progress recently made in improving government organization and administration. In this connection we are looking forward with great interest to the reports which will soon be going to the Congress from the Commission on Organization of the Executive Branch of the Government. I am sure that these studies, made under the chairmanship of former President Herbert Hoover with the assistance of more than two hundred distinguished citizens, will be of great value in paving the way toward more efficiency and economy in the government.

* * * *

And now, I return to the point at which I began -- the faith of our people.

The many programs here summarized are, I believe, in full keeping with their needs, interests and aspirations. The obligations upon us are clear:

To labor earnestly, patiently, prayerfully, for peace, for freedom, for justice, throughout the world;

to keep our economy vigorous and free, that our people may lead fuller, happier lives;

to reveal, not merely by our words but by our acts, the determination of our government that every citizen shall have opportunity to develop to his fullest capacity.

As we do these things, before us is a future filled with opportunity and hope. This future will be ours if in our time we keep alive the patience, the courage, the confidence in tomorrow, the deep faith, of the millions who, in years past, made and preserved us this nation.

A decade ago, in the death and desolation of European battlefields, I saw the courage and resolution of American youth. There I saw, in our youth, America's buoyant confidence and irrestible will-to-do. There I saw, too, a devout America, humble before God.

And so, I know with all my heart -- and I deeply believe that all Americans may know -- that, despite the anxieties of this divided world, our America, our faith, and the cause in which we all believe, will surely prevail.

# \# \# \#

CONFIDENTIAL

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHC NLE, Date 10-25-77

MINUTES OF CABINET MEETING

January 7, 1955
9:35 A. M. -- 12:30 P. M.

The following were present:

The President

Vice President Nixon	Edmund F. Mansure, GSA in part
Sec. Dulles	
Sec. Humphrey	Warren B. Irons, CSC in part
Sec. Wilson	
Mr. Brownell	
Mr. Summerfield	
Sec. McKay	
Under Sec. Morse (for Sec. Benson)	Gov. Adams Mr. Rockefeller
Under Sec. Williams (for Sec. Weeks)	Gen. Cutler, in part Mr. Shanley
Sec. Mitchell	Mr. McCann
Sec. Hobby	Mr. Morgan
	Mr. Martin, in part
Director Hughes	Mr. Murray Snyder, in part
Gov. Stassen	Mr. Rabb
Dr. Flemming	Mr. Minnich
Chairman Young	
Dr. Arthur Burns	

Alien Property - In presenting CP-12, the Secretary of State emphasized the traditional policy of the US of working to preserve property rights even in time of war. He noted that our allies did not concur in such a policy and had attempted at the end of World War II to dissuade us from it. He stressed also the importance of this subject to Chancellor Adenauer. He pointed out that the paper did not propose the return of large German corporations such as General Aniline, a gap which might give rise to considerable Congressional agitation. Mr. Brownell emphasized the need for this legislation to allow Justice to make headway with its responsibility for liquidating alien assets.

Sec. Wilson suggested the possible desirability of selling such assets back to their original owners. The Attorney General stated present policy of not doing so. Sec. Humphrey was deeply interested in whether additional money would be required if the existing assets are not sufficient to cover claims made against the US. The Attorney General believed it might, and added that any attempt to limit by legislation the total amount of claims to be honored would have to undergo review by the Supreme Court. He also believed Congress would not approve such a proviso. Sec. McKay called attention to the specific case of Philippine holdings and expressed his belief that existing policies constituted a "one-way street" in favor of

CONFIDENTIAL

CONFIDENTIAL

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 10-25-77

the Philippines. The Attorney General agreed.

Mr. Hughes questioned whether any excess receipts from the sale of General Aniline would go to the Treasury. The Attorney General replied affirmatively but warned that Congress might decree otherwise.

The President believed the diplomatic factors involved warranted approval of the proposal. Secretary Wilson expressed approval also.

The President then stated his feeling that the time had come when the US should devote some of its money to "crown success" and further strengthen those allies who were achieving desirable results rather than continuing to pour money into extremely weak situations where nothing ever seemed to be accomplished. Governor Stassen reported that American policy had already shifted considerably in that direction.

Bricker Amendment - The Attorney General stated the need for determining where the Administration stands in relation to the Congressional move to revive the Bricker Amendment. He reported that Senator George seemed to be reserving decision on his personal position this year in order to determine first what the Administration position would be. Both the Attorney General and Sec. Dulles believed it desirable for the Administration to take a strong position that it would favor the traditional Section I but would be unwilling to attempt any compromise version of the other sections at issue last year. Mrs. Hobby believed Administration support for an amendment containing only Section I would meet the desires of the American people in a way that mere opposition to the Bricker Amendment or similar versions would never do.

The President agreed to talk to Senator George as soon as possible, stating that the Administration could accept no more than Section I.

Employee Security Program - Mr. Brownell reported, as a follow-up on the last Cabinet discussion of this subject, that Mr. Donegan had been installed in the Executive Office Building as an assistant to Mr. Wm. F. Tompkins, the Assistant Attorney General, to advise agency heads on any troublesome items that needed coordination. He made it clear that it was not Mr. Donegan's purpose to be called upon every time any security officer had a difficult case within his own organization. In response to Mrs. Hobby's question, the Attorney General said that Mr. Donegan would have a second function of reviewing the current program for the purpose of improving it.

The Attorney General inquired of Chairman Young whether the order on transfers had gone out, and Mr. Young replied that the order is now being sent out.

The President recalled the frequent suggestions that had come to him for appointing a board of private citizens to review the program and he noted that such suggestions had consistently been rejected. He then commented that it appeared as if Congress would be asking for the names of individuals discharged under the security program. He thought the Government should not under any circumstances publish the names despite all the demagoguery bound to occur. Mr. Stassen later came back to this point and stressed that the Administration should not put out the names but instead should put the responsibility on the individual, who could offer his own name as a case in point if he so desired. The President agreed that the only purpose of Government reluctance to give names was to protect the individuals concerned.

CONFIDENTIAL

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

Mr. Dulles called attention to the study being initiated by the New York City Bar Association. The Attorney General believed this study desirable and noted that Justice had already agreed to cooperate with the group. The President ascertained that the group would merely study the system, but not attempt to affirm or reverse the decisions in specific cases.

The Attorney General then cited a third function of Mr. Donegan as that of advising Government officials who may be called upon to testify concerning security cases. He also took note of a general agreement that security officers who testified should refuse to explain the reasons for their decision on any specific case. Only an agency head might testify to the reasons, if necessary.

Mrs. Hobby then questioned the competence of existing Review Boards and Sec. Dulles seconded her view on the difficulty of obtaining the right people to make up a board. Gov. Stassen suggested constituting in each agency a group of well-trained people whose sole function would be to conduct security case hearings. Mr. Flemming noted the good experience AEC has had with such an arrangement. Mr. Humphrey cited previous difficulties with such an arrangement. The Postmaster General emphasized the need for the agency head to retain responsibility instead of letting it pass to a board of experts. No one dissented from the Postmaster General's feeling. The President inquired whether each department could carry this out without requesting additional funds. The Attorney General promised to study the proposal further. He felt Mr. Donegan could afford some relief in this aspect of the problem.

The Attorney General warned of the inevitable effort by the opposition to focus on the subversive element alone. He emphasized the importance of the other categories involved in the security risk concept.

Mrs. Hobby spoke to the need of being able to conduct hearings without having to suspend the individual concerned. The Attorney General asserted it was possible to do so and promised to confer with Mrs. Hobby as to the procedures.

Sec. Wilson took note of the Annie Lee Moss case now nearing completion in Defense. The President emphasized the responsibility of the department head for seeing to a just outcome. In the course of the discussion the President reverted twice to the possible need for making a greater distinction between sensitive and non-sensitive positions and for effecting transfers from one to the other, particularly when the individual had a record of long service and when no clear finding of "risk" was possible.

Scientists and Engineers - Dr. Flemming briefed CP-13. The President cited the law of supply and demand and wondered whether higher salaries would not solve the problem. Mr. Flemming pointed to a relevant paragraph and Mrs. Hobby commented that the law did not fully operate in this area because of the competition set by non-engineering jobs in private industry.

Mr. Dulles made it clear that he was not opposed to some action in this field but he cautioned against taking the matter out of focus when there is serious need for more and better ministers, educators, and foreign service personnel. The President agreed. Mr. Humphrey hoped there would be no recommendation for a change in the tax laws. Mr. Flemming replied to the effect that the language suggesting tax changes would be modified.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-5-76
The Dwight D. Eisenhower Library

Mr. Humphrey then voiced his fear that the Government was getting into a dangerous field when it entered this realm of human endeavor. The President believed it appropriate for the Federal Government to give encouragement to a program but not to let it get out of balance. Mrs. Hobby strenuously urged that the President not be brought into this particular project since there are so many other shortages deserving attention. Mr. Flemming expressed agreement with the principle of these comments but felt impelled to warn against the critical shortage which would appear in an emergency if the Federal Government does not act on this problem. After extensive discussion, in which Gov. Stassen joined on the side of Mr. Dulles and Mrs. Hobby, it was agreed that Dr. Flemming would develop a specific statement to be submitted to the President for consideration.

At the end of the meeting Mr. Williams reverted to this question and reported the Committee's concern with the matter of relative shortages and its understanding of the President's emphasis on spiritual and moral values. He wanted to point out, however, that an increased supply of scientists and engineers would allow application of new industrial techniques so important to raising the general standard of living in the country.

Government Competition with Business (CP-14) - In presenting this paper, Mr. Hughes emphasized that the main job right now is to size up the problem, that this proposal does not touch on such services as providing power to the general public, and that the matter was presented to the Cabinet in order to secure the necessary strong support from Cabinet heads.

The Attorney General suggested and Mr. Hughes agreed that the study should include a re-evaluation of applicable statutes.

The President commented on the need for the military to conduct certain activities in peacetime so that it would have essential know-how during wartime. The Attorney General ascertained that there was room for exemptions for such things as prison industries. Sec. Humphrey cited the trouble he had from continuing to do things by tradition rather than reason.

Health Insurance (CP-15) - Chairman Young reported that the Federal employees health insurance program developed last summer was not entirely satisfactory and had been re-evaluated in coordination with private insurance companies. Mr. Warren Irons then reviewed the content of the paper and estimated that the cost to the Federal Government would be $75 million per year.

In response to the President's queries, Mr. Irons indicated that the life insurance program initiated last year had achieved 95% employee participation and that the Federal Government bore 1/3 of the cost. Secretary Mitchell then called attention to the manner in which these fringe benefit programs, taken in combination with pay increase proposals, amounted to more than a 7% increase in employee income.

Gov. Adams noted that the proposal had the effect of giving a greater benefit to the married men than to bachelors. Mr. Young felt this should be judged on the basis of whether the health program constituted a fringe benefit or a pay increase. Sec. Wilson cited General Motors'

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By JHC NLE, Date 8-5-76
The Dwight D. Eisenhower Library

favorable experience in such programs and reassured Mr. Mitchell that the workers would not in time begin to worry about the pay deductions required for these items. The Postmaster General believed the Federal Government ought to make a fixed contribution without respect to marital status, thus avoiding any charge of compensation on the basis of need rather than position. Sec. Humphrey asserted that theories sometimes had to be sacrificed in favor of practical results and went on to praise the Health Insurance Program on the basis of experience of companies he had been associated with. Mr. Wilson seconded Mr. Humphrey's remarks. Mr. Mitchell stated his disagreement with the Postmaster General's concern. The latter reiterated his concern, and cited the potential antagonism of people in private industry not receiving such benefits.

Mr. Irons informed the Vice President that the program had not yet been discussed with Congressional leaders. Mr. Humphrey believed it should be packaged with other Civil Service legislation. The Postmaster General felt it had to be so packaged or it would have no effect in staving off extremist demands on the wage question. Chairman Young believed any inclusion of the Health Program in a pay bill would cause trouble rather than be helpful. The Vice President and Sec. Humphrey believed the programs could be packaged by other means than inclusion of all in a single bill. Mr. Summerfield warned that if it were put in the classified pay bill alone, it would be of no help to the Post Office in holding the line. Gov. Adams suggested that the problem be turned over to the liaison staff for discussion with the Vice President and the Leadership on the desirable means of packaging. It was so agreed.

Secretaries Humphrey, Wilson and McKay again spoke favorably of the Health Program.

(The President left the room in the middle of this discussion.)

Training Program (CP-16) - Chairman Young cited the Topsy-like growth of training authorities and the existing demands of nearly all agencies for further programs. He emphasized that training in colleges was only a minor part of this proposal.

Mr. Pollock of CSC stated that the House Civil Service Committee already expected a bill on this subject. With the aid of charts he then showed where the need existed and the manner of handling the new authority to be requested from Congress.

He emphasized that the current authorization for Defense Department training programs appeared in appropriation bills and was thus subject to quick termination.

(The President returned to the meeting.)

Mr. Humphrey believed agencies should be required to show specifically the savings to be accomplished by any particular training program. The President cited his 1942 experience when various headquarters were given expanded staffs for training purposes, but retained the staffs long after training was completed. He doubted, however, whether it would be possible to show specifically and completely the savings through training programs.

Sec. Dulles ascertained that the Foreign Service was not included in the cost estimate.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-5-76

Mr. Hughes believed it necessary to set limits on the program and Mr. Young suggested that could be done in an Executive Order.

Mrs. Hobby believed more productive work would be achieved even though no net savings appeared. Mr. Humphrey believed increased productivity would make possible the elimination of a number of jobs. The President assumed that such reduction would be through attrition.

Super Grades - Chairman Young proposed legislation for consolidating all existing authorities for super grades, and transferring to the President the authority to establish a ceiling on them. Mr. Flemming believed Congress would not consent to the transfer of authority and warned that consolidation of authority under a ceiling established by Congress would be a change for the worse. The President questioned whether the change might be accomplished by a Reorganization Act and then, after ascertaining that Mr. Hughes approved Chairman Young's proposal, expressed his own approval.

Distribution of Agricultural Surpluses to the Needy - Mr. Morse stated that Agriculture had to report on the disposal of surpluses. He anticipated political attacks on that part of the program concerning grants of surpluses for domestic relief purposes. He noted the large increase in numbers of recipients in recent years. He pointed out that the surpluses were made available to the states on requests of the Governors.

Mrs. Hobby urged that any statistical releases include pertinent data for disaster, drought, and coal mining areas, and so specify. The President feared that programs of this sort would increase pressures for supports for agricultural items already in surplus, and ensuing free distribution of the surpluses.

The Vice President questioned the disparity of the state by state statistics, particularly in regard to states having small populations. Mr. Hughes believed serious trouble could ensue from this program and urged high level consideration. The President believed Agriculture should run a spot check on the states receiving the largest quantities, and the Attorney General suggested that the check be gotten underway prior to release of any report.

Congressional Liaison - The President mentioned again the desirability of Cabinet members consulting with the ranking Republican member of a Committee, prior to approaching the Committee Chairman.

Clearance of Messages - The President asked that the Special Messages to Congress be forwarded in sufficient time from the Departments to enable him to give appropriate consideration, particularly in view of the promised dates for sending these Messages to the Congress.

* * * *

Mr. Williams noted, in passing, that Mrs. Weeks was undergoing surgery in a Boston hospital the next day. **** The President then reported briefly on the very reassuring conversation he had had with Sen. George in his own office while the Cabinet meeting proceeded.

LAM
L. A. Minnich, Jr.

Distribution:
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

CP - 13

January 4, 1955

The White House

Washington

THE CABINET

The Development of Scientists and Engineers

For consideration by the Cabinet, attached is a copy of the Report to the President of the Special Interdepartmental Committee on the Development of Scientists and Engineers.

This Committee was established by the Director of the Office of Defense Mobilization on May 24, 1954 following an assignment of action to ODM at the Cabinet Meeting of April 30, 1954.

The Report was submitted by Dr. Arthur Flemming, the Chairman of the Committee, on December 23, 1954; the attached Report is preceded by the Transmittal Letter, a Table of Contents and a two-page Summary.

The Conclusions and Recommendations appear on pages 12-16.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Office of the Director

December 23, 1954

The President
The White House
Washington, D. C.

Dear Mr. President:

I have the honor to present herewith a report on The Development of Scientists and Engineers.

This Report has been developed in cooperation with and is concurred in by the Secretary of Commerce, the Secretary of Labor, the Secretary of Health, Education and Welfare, the Chairman of the Atomic Energy Commission, the Director of the National Science Foundation, and the Assistant Secretary of Defense (Manpower and Personnel).

Respectfully yours,

Arthur S. Flemming

Arthur S. Flemming
Director

TABLE OF CONTENTS

Page

SUMMARY

* * *

INTRODUCTION 1

THE GENERAL PROBLEM 2

SPECIFIC PROBLEMS 3

Motivating-Career Decisions
Teacher Shortages
Improving Career Counselling
Providing Financial Aid
Training Women
Reducing College Student Mortality
Size of High School
Problems at the College Level
Poor Utilization
Competitive Incentives
Artificial Barriers
Military Service

PROPOSED SOLUTIONS 8

Motivation
Identification and Guidance
Instruction
Opportunity
Recognition and Utilization

CONCLUSIONS 12

RECOMMENDATIONS 12

The National Committee
Federal Government Action

THE DEVELOPMENT OF SCIENTISTS AND ENGINEERS

SUMMARY

It is essential that appropriate measures be taken to improve the quality and increase the supply of our highly qualified scientists and engineers.

Our way of life is supported by science and technology and our future security and growth are dependent upon continuing progress in science and engineering. At a time when our supply of qualified scientists and engineers is insufficient to meet present and estimated future requirements, Russia has been increasing its output of scientists and engineers and is now approaching comparability with us in both quantity and quality.

The improvement of the quality and the increase in supply of scientists and engineers depend on many factors, of which the following are illustrative:

a. Improving the teaching of science and mathematics in the high schools by providing more qualified teachers, better teaching aids, consolidating schools to permit more special courses, and the like.

b. Improving at the secondary school level the identification, motivation, and guidance of qualified students toward careers in science and engineering.

c. Increasing the number of qualified youth who go to college and encouraging those with scientific or engineering aptitudes and interests to pursue courses in science and engineering.

d. Developing needed incentives to retain highly qualified scientists and engineers as teachers in colleges and universities or in their fields of specialization in industry.

e. Improving utilization of scientists and engineers by providing additional technician personnel to relieve them of subprofessional assignments.

The primary responsibility for the solution of the problem must rest with leaders in the fields of education, the professions, industry, and labor.

Much is being done by these groups to attack the problem on many different fronts but these efforts should be extended and better coordinated. The general public must be made more aware of the nature and seriousness of the present and anticipated shortage of qualified scientists and engineers.

The Federal Government should contribute to a solution of the problem by stimulating increased effort and coordination by departments and agencies of the Government.

The Committee recommends that the President:

1. Issue a public statement emphasizing the seriousness of the problem in terms of both our economic growth and our national security, the obstacles to its solution, the work that has been done, including past and present activities of the Federal Government, and urging that increased efforts be made in the future.

2. Recognize that responsibility for solution of the problem rests primarily with leaders in education, the professions, foundations, industry, and labor, by appointing a National Committee on the Development of Scientists and Engineers comprised of representatives from these organizations. The function of the Committee should be to enlist the coöperation of their respective groups in developing a coordinated action program and to stimulate widespread public understanding and support, basing their program in part on the suggestions in this paper.

3. Direct the National Science Foundation, with the cooperation of other agencies, to give additional emphasis to programs within its responsibility, to provide leadership to other agencies in developing activities which will contribute to a solution of the problem.

4. Direct all appropriate departments and agencies to reexamine and strengthen existing activities, and to develop indicated new programs for contributing to the development and utilization of scientists and engineers for partial or full mobilization, coordinating their activities through the Office of Defense Mobilization.

5. Direct the Office of Defense Mobilization and the National Science Foundation to report progress to the President every six months, to recommend any additional legislative measures which may be required, and to continue to recommend avenues of further study.

THE DEVELOPMENT OF SCIENTISTS AND ENGINEERS

Introduction

It is essential that appropriate measures be taken to improve the quality and to increase the supply of our highly qualified scientists and engineers.

This conclusion rests on a careful evaluation of the place science and engineering have won in protecting our national security and in expanding our economy. The ideals and values on which are based our system of government and our way of life are in large measure supported and given practical meaning by the discoveries and applications of science and technology to meet the expanding material needs of a free people.

These ideals and values are today being challenged in many ways, but one of the most direct thrusts at the security and growth of the United States and the Free World is in the field of military and industrial technology. The ground of this challenge is well chosen. Science and engineering have made such remarkable progress in recent decades that the nation which holds the lead in those fields holds the initiative in world affairs. Only at our great peril could we risk having leadership in basic and applied technology pass into the hands of our potential enemies.

In the face of this threat to our national security, our requirements for scientists and engineers are twofold. The need for new and improved weapons and countermeasures requires a heavy and sustained effort in the field of military research and development. In addition, a strong national economy and a rising standard of living require continued productivity increases and new jobs for our ever expanding work force. This essential growth depends very heavily upon the large scale development of new knowledge and the rapid application of that knowledge for industrial purposes.

In American society, the indispensable combination of qualitatively superior military and civilian technology can come only through free, voluntary research. Such research requires men and women possessing highly developed professional skills, with the opportunity and incentive to use those skills in activities of value to our national security and economic strength.

The supply of qualified engineers and scientists is in many areas insufficient today to meet our present and estimated future combined civilian and military requirements. Although the number of engineering graduates will increase markedly in the next four years, a similar increase in the number of science graduates cannot be foreseen at this time. Moreover, simply catching up on numbers is not enough; the production of very high quality, creative engineers and scientists will remain a continuing challenge.

Information now available clearly shows that the Russians, who for years have been building up by every possible means their supply of scientific and engineering talent, are accelerating their education and training programs. They are even now approaching comparability with the United States in both quantity and quality of graduated scientists and engineers and may have overtaken us in some of the physical science fields.

The necessity for developing more highly qualified scientists and engineers in no way diminishes the importance of other professions such as the social sciences, humanities and the law. It is necessary to point out, however, that it is in the fields of science and technology that the struggle for military supremacy today is being waged. It is therefore appropriate that the Nation concern itself particularly with the development of men and women in engineering and scientific fields.

The General Problem

In considering the many problems involved in attaining the objective of developing more and better qualified scientists and engineers, three basic considerations must be kept in mind:

> First, the number of youth of college age is now at low ebb--more than one million lower than in 1940. This number will rise gradually until 1965 after which the number will move rapidly toward a new high level.
>
> Second, increasing the supply of qualified scientists and engineers is only one part of the larger problem of increasing the supply of highly qualified college graduates in all fields. For various reasons, only about a third of the young people graduating from high school enter college on a full time basis and less than a fifth of the high school graduates attain the bachelor's degree, the minimum level of education required for qualified engineers. Less than two percent of those judged to be mentally capable of studies at the doctorate level obtain the Ph.D. degree or its equivalent, the level of education required for highly qualified scientists. If with proper motivation and opportunity a substantially larger proportion of qualified youth pursued training toward a degree, the normal selective pattern would provide a greatly increased continuing supply of trained scientists and engineers.
>
> Third, increasing the supply of qualified scientists and engineers is impeded by the need for a general improvement of staff and facilities of secondary schools. Without obtaining additional qualified mathematics and science teachers at the secondary school level, we cannot even provide for normal replacements at the present level, let alone take care of foreseeable growth. This problem will become more grave because the school age population growth is at present considerably greater than the increase in facilities.

Despite these very real obstacles, the picture is not all dark. College enrollments show that the freshman classes in engineering have been increasing rapidly during the past three years, and this increase will continue. On the long-time pull, enrollments in engineering will participate in the general increase in college enrollment between 1965-1970, and there is reason to hope that the same increase might be reflected in the field of science.

Nevertheless, expanding technology and an expanding economy are producing demands for highly qualified scientists and engineers beyond the numbers who are preparing themselves for this work. It is not enough to plan for presently estimated needs; it is expected that the demand for trained scientists and engineers will accelerate as new discoveries open up areas for further exploration and application. Again, while increasing the number is important, the immediate need is to upgrade the quality of both scientists and engineers.

Specific Problems

Within these basic considerations there are many specific problems which must be solved in order to attain the required increase in the development of qualified scientists and engineers. Among the more important of these problems are the following:

1. Motivating-Career Decisions

Many individuals capable of becoming engineers or scientists now make the decision not to go to college, or if they do go to college, make the decision not to study engineering or science.

Factors which influence human decisions such as they are personal and complex; but experience has shown that Americans, when the facts are known and the conditions are reasonable, will make decisions which are in the national interest.

For example, since 1950, concerted efforts have been made to publicize the need for engineers and to attract students to this field. As a result, the percentage of first-year students who entered engineering courses in 1953 was significantly higher. (17.5% of all first-year male students as contrasted with 10.7% in 1950.)

The problem of motivating students to elect careers in science is more complex. In addition to the exacting demands of graduate work, the extended period of training (usually two to five years beyond the bachelor's degree), coupled with competing incentives of gainful employment, marriage and family, and other personal and social considerations operate to reduce the number who elect to complete studies at the doctorate level.

2. Teacher Shortages

Serious shortages of qualified teaching personnel exist or are developing at all levels of education. Currently, the number of qualified elementary school teachers being prepared each year is short of the number who annually leave the profession because of retirement, death or other causes. In the secondary schools the general shortage is not yet as serious as in elementary schools but the situation threatens to deteriorate during the next ten years. Since 1950, less than half of the teachers who graduated with certificates to teach science or mathematics entered teaching as an occupation. Science and mathematics instruction, in many instances, is being carried on by teachers not sufficiently trained in these subjects. Under those circumstances, able youth who might enter scientific or technical professions are not likely to get the needed inspiration and encouragement to do so, and those who are interested may fail to get the thorough basic training needed for college studies. Many liberal arts graduates with majors in science or mathematics, and who are otherwise capable of intelligent and perhaps inspired instruction, are prevented from entering a teaching career because they do not possess a teaching certificate.

In summary, teaching as an occupation is not attracting its needed share of the Nation's most able persons, except possibly at college and university levels. The majority of better college graduates are entering positions more attractive to them than teaching. Many of the better qualified secondary school teachers are either moving to administrative and college level positions or leaving the profession. Many outstanding university research workers are moving to industry or government.

3. Improving Career Counselling

Decisions to become scientists or engineers usually are made fairly early in life, through influence exerted in or outside of school. About 60% of a sample of outstanding scientists surveyed made the decision while in high school to pursue a scientific or engineering career. A key factor in the motivation of youth toward careers in science or engineering is a strong instructional program with strong teachers in these areas. In fact, potential young scientists or engineers are sometimes shunted to other fields when they enter college because of inadequate preparatory programs, weak instruction, or lack of stimulation and guidance while in elementary or secondary schools.

4. Providing Financial Aid

Lack of financial means, while an obstacle for some individuals is often over-emphasized. Scholarships, veterans' educational benefits, loan funds, and opportunities for self-help are making college attendance possible for thousands of young people who strongly desire to attend college and who are willing to make the effort required. This is a problem of getting information to the high school students. They need to know about the college and career opportunities available to them, to know the possibilities of financing their education through scholarships, loans, or self-help, and to have financial assistance made available if it is required.

5. Training Women

The training of more women as scientists, engineers and science teachers would provide a significant increase in supply. The potential competence of women for many types of work in these fields has been demonstrated. Since women tend to go into the teaching field to a greater extent than men, the training of more women in these fields would pay dividends in meeting the shortage of high school science and mathematics teachers.

6. Reducing College Student Mortality

Despite the high qualifications of students entering freshman classes in engineering and the sciences, the "failing rate" is about the same as for other course sequences. Anything that can be done to salvage these high quality students, without sacrifice of standards, would be helpful. Better inspection of transition courses and of instruction and its results may yield a larger production of scientists and engineers.

7. Size of High School

One half of the Nation's high schools have seven or fewer teachers. Those small high schools have specific difficulty in providing strong preparatory programs in mathematics and science. Their teachers frequently must teach courses in two, three, or more fields of study. Because the great majority of the graduates of these schools do not continue their education beyond high school, the educational programs offered tend to stress the needs of the non-college going youth. Potential scientists and engineers in these schools usually do not receive either the stimulus or the preparation available to youth in those large schools which employ specialized teachers and provide adequate equipment.

8. Problems at the College Level

There is also need to improve the quality and increase the availability of instruction in the sciences at the college level. Highly qualified scientists and engineers are being drawn away from colleges and universities by industry and government at a time when the instructional and research staffs of these institutions should be improving. Although scientist-educators are usually devoted to academic pursuits, they, like other workers, are attracted by conditions of work which offer good laboratories, good research budgets, good assistants, and good salaries. The average base salary paid to scientists with Ph.D's is highest in industry, next highest in government, and lowest in educational institutions. Without special gifts, endowments, and grants from industry or government, funds for research in colleges and universities would be meager. Well equipped laboratories, adequate libraries, and sufficient assistance are as essential as adequate salary level to attracting and keeping top research workers in universities. Retaining a sufficient number of highly qualified research and teaching personnel in colleges and universities is vital both to assuring an increased supply of top caliber scientists and engineers and to maintaining a needed balance between basic and applied research.

A very small number of universities are preparing a high proportion of those who are earning the Ph.D. degree in the sciences. These few schools are doing a commendable job, are fairly well equipped to do it. Certainly universities not prepared to grant the Ph.D. degree should not undertake the responsibility until they are ready to do so. The education of scientists should not be undertaken on a production line basis. But if the supply is to be enlarged in considerable amount and the quality is to be improved, ways must be found to strengthen and expand the facilities already available and to develop other strong facilities where there are students in sufficient numbers who would take advantage of them.

Even the strongest colleges and universities need additional buildings, facilities, and specialized equipment to provide adequate instruction for the numbers of scientists and engineers needed and to attract and retain high quality research personnel.

9. Poor Utilization

Many scientists and engineers are being used in positions which do not make full use of their technical training. Frequently, they are forced to spend much of their time in routine tasks and subprofessional duties because of the shortage of technicians and engineering assistants. The professional societies and some businesses have been greatly concerned about this problem and have attempted to stimulate solutions. A 10% improvement in the utilization of all engineers would be equivalent to a 10% increase in the supply. Furthermore, upgrading of job duties would make it possible to pay higher salaries, thus making the profession more attractive.

10. Competitive Incentives

Many scientists and engineers do not make full use of their technical training because they move into other fields such as sales or administration. This is understandable; engineering and scientific training is good background for executive work. Nevertheless, many scientists and engineers would choose to remain in their field of specialization where they are needed for research if this work carried equivalent recognition and economic reward.

11. Artificial Barriers

In some fields, artificial barriers prevent the employment of trained scientists and engineers or teachers of them. Despite current shortages, there are women, Negroes, and handicapped persons who are sometimes not permitted to qualify for positions commensurate with their abilities and training. Similar barriers deter many such persons from entering training for these occupations.

Library

12. Military Service

Although the vast majority of scientists and engineers are not within the ages of Selective Service liability, those below the age of 26 share the obligation of all young people to serve in the armed forces for two or more years. This period represents a temporary loss of most of this younger group to the civil economy. The military departments are engaged in a wide variety of research and development activities and continued efforts by these departments to fully utilize scientists and engineers in uniform will minimize this loss.

Proposed Solutions

Public and private groups should be requested to give careful consideration to the measures outlined below as suggested steps toward the solution of the problem. Many of these actions are for the long term and can be worked out only over years of sustained effort. Others represent solutions which can be implemented almost at once. In the interest of national security it is important that action be initiated on both types of measures at the earliest practicable time and on as broad a scale as possible.

Motivation

(1) Develop more effective programs to demonstrate the attractiveness of the engineering and scientific fields, describe opportunities, excite interest, follow up likely prospects.

(2) Increase the scope of activities to encourage identification, training, and public recognition of outstanding talent.

(3) Plan, develop, produce, and supply publicity, demonstrations, films, tours, speakers, and such other material as may be advisable. This program material would be used extensively through audio-visual channels, commercial television, educational television, radio, newspapers, magazines, and any other mass media or specific media to reach the minds of young people.

Identification and Guidance

(1) Improve high school and college entrance counselling by making facts available to teachers or counselors, training them to understand needs in engineering and scientific fields. Encourage universities to send out representatives from science and engineering departments to identify and encourage qualified students to go to college. Develop assistance in local community guidance program from professional societies, outstanding qualified engineers and scientists in business, industry and government.

(2) Encourage more highly qualified students to take the basic high school courses in mathematics and sciences required for adequate preparation for later college courses. Develop alert college counselling and flexible curricula to salvage those lacking strength in preparation but who are otherwise qualified.

Instruction

(1) Improve high school science and mathematics instruction by such means as:

- Improving the basic college courses in science and mathematics for students who are prospective high school teachers. Improving the refresher courses designed for high school teachers.

- Drawing into the teaching field qualified married women teachers on a full-time or part-time basis; part-time science and mathematics instructors from colleges, industry, and government. Industry could be particularly helpful in providing part-time science and mathematics instruction in the smaller urban and rural high schools.

- Encouraging utilization of scientists and engineers and other qualified persons retired by industry and government, including those from the Armed Forces. Encouraging the development of procedures by which people who are well trained in science and mathematics may quickly meet certification requirements, perhaps after they have begun teaching.

- Encouraging better utilization of present science and mathematics teachers by using them in their own and related technical fields.

- Enriching classes in science and mathematics to stimulate both students and teachers at a high productive level and to permit the students to have more advanced training at the high school level.

- Considering plans for improving transition of students from high school mathematics and science curricula to college mathematics and science curricula.

- Developing and utilizing audio-visual aids and educational television programs.

- Attracting more and better teachers by increasing salary level, by providing opportunities for summer employment both to broaden their technical knowledge and to supply additional income; providing opportunities for summer study by means of scholarships, grants and awards to teachers.

(2) Step up utilization of technician and subprofessional schools by:

- Encouraging qualified young men and women who have the interest in engineering and sciences, but who do not undertake college courses, to prepare themselves as technicians and subprofessionals.

(3) Improve college instruction in engineering and science by such means as:

- Requiring and giving more emphasis to good teaching -- auditing, evaluating, coaching of young instructors.
- Encouraging universities and colleges to continue basic curricula evaluation to provide more and better opportunities for both undergraduate and graduate study.
- Eliminating at entrance level less qualified students who drag instruction down to mediocre level.
- Providing more incentives -- salary, prestige, research and refresher opportunities -- for top-level individuals to stay at teaching posts.
- Encouraging scientists and engineers and other qualified persons retired by government and industry to assume teaching loads.
- Encouraging industry and the foundations to underwrite professorships and to provide grants for teaching and research.
- Getting more money to recognized colleges and universities for basic research which will automatically attract graduate students as participants.
- Encouraging graduate schools to avoid mass instructional techniques and to train scholars for independent creative research.
- Establishing facilities for teaching exceptionally talented students of science and engineering at their highest level of capacity.
- Placing more emphasis on teaching effectiveness as a basis for promotion rather than on research and publications.

Opportunity

(1) Encourage industries, individuals and foundations to provide sufficient scholarships so that all highly qualified young men and women have an opportunity to go to college.

(2) Stimulate colleges and universities to seek funds for fellowships, scholarships, research grants, etc. to enable qualified students to stay in school and continue graduate study where indicated. The cooperative plan of work-study might be considered wherever practicable.

(3) Develop more widely in industry and government summer work programs for students for the dual purpose of stimulating interest and providing money for continued study.

Recognition and Utilization

(1) Increase public educational efforts to create awareness of the great contributions made by scientists and engineers and respect for the men who make possible our continued technological advances.

(2) Sponsor studies of ways and means to provide parallel progression -- financially, status-wise, and socially -- for specialists with administrators and managers.

(3) Place more emphasis on career opportunities for subprofessional and technician personnel so that trained scientists and engineers may be free to perform effectively within the professional limits of their fields. The practicality of more 2-year courses in these fields and additional 2-year technical schools should be studied; industry should increase its efforts to find employees who can be trained as technicians and to encourage such training.

(4) Develop additional ways, especially in colleges and universities, to provide more income for teaching and research in engineering and science, possibly by such means as utilization as consultants, research grants, basic salary improvement.

Conclusions

1. A real problem exists. There is a shortage of highly qualified scientists and engineers to meet our present and future national security needs.

2. There is much being done by educational institutions, philanthropic foundations, professional societies, industry, and by the Government to attack the problem, on many different fronts and with varying degrees of success. Nevertheless, these efforts must be extended and better coordinated if they are to be fully successful.

3. The general public apparently is not sufficiently aware of the nature and seriousness of the present and anticipated shortage of qualified scientists and engineers. In a democracy, no major problem can be solved without widespread citizen understanding and participation.

4. The primary responsibility for the solution of the problem must rest with leaders in the fields of education, the professions, industry and labor organizations. The challenge presented to education can best be solved through the traditional system of education in the United States, acting upon a heightened awareness that not only the growth but the very survival of the Nation depends upon the continued acceleration of technological developments.

5. The Federal Government should contribute to a solution of the problem by stimulating increased effort and coordination on the part of private and public institutions and organizations, and by doing what it can within the regular resources of the Government to encourage the training of scientists and engineers.

Recommendations

The plans set forth in this report to deal with the foregoing problems are, for the most part, long range. There are many courses of action which can and should be taken, but the length of time required for substantial results, as well as the urgency of the situation, require that action be initiated immediately. We must make our plans and build on them as rapidly as possible during this period of relative peace in order to be better prepared to meet the threat of national emergency or to take maximum advantage of the economic opportunities which would be presented by an easing of world tensions.

Upon the basis of the conclusions set forth above it is recommended that the President initiate action along these separate but closely related lines: first, the establishment of a National Committee to coordinate the interests and activities of various non-governmental groups; second, the direction of action on the problem within the Federal Government.

The National Committee

1. It is recommended that the President issue a public statement:

    a. emphasizing the seriousness of the problem of increasing the supply and improving the quality of our scientists and engineers in terms of both our continuing economic growth and our national security.

    b. calling attention to the major obstacles standing in the way of a solution of this problem;

    c. stressing the importance of the work already done by many non-governmental groups in this field, and urging that increased efforts be made by these groups in the future.

2. It is recommended that the President appoint a National Committee on the Development of Scientists and Engineers, to be chaired by a man of national esteem in the field of scientific endeavor. Inasmuch as the primary responsibility for the solution of the many problems in this field must rest with the leaders in the fields of education, professional societies and organizations, foundations, industry and labor organizations, it is further recommended that the Committee be constituted of men and women representing the major organizations in these fields, such as the National Academy of Science, the American Council on Education, the National Education Association, the Engineers Joint Council, the Scientific Manpower Commission, the National Association of Manufacturers, the Chamber of Commerce, the American Federation of Labor, the Congress of Industrial Organizations, the National Grange, and the like.

    The objectives of the Committee should be to:

    a. maintain liaison with the Federal Government on the problems associated with the development of more highly qualified scientists and engineers.

    b. enlist the cooperation of all interested individuals and groups in analyzing the problem and developing programs to deal with it, and to take the lead in coordination of interested organizations outside the Federal Government.

    c. make available to all interested organizations information on effective ways of overcoming the obstacles to the training of more qualified scientists and engineers.

    d. publicize the problem and possible solutions in order to stimulate widespread public understanding and support.

The Federal Government should provide only the initiating leadership in establishing the Committee; the responsibility for the continuing activities of the Committee should rest with the Committee in accordance with the objectives outlined above.

The National Science Foundation should be the Federal agency responsible for maintaining official liaison with the Committee and should provide the secretariat services required by it.

Federal Government Action

1. It is recommended that the President issue a statement (perhaps as a part of his general statement) calling attention to the past and present activities of the Federal Government which have had or have a direct bearing on this problem such as:

    a. liberalization of tax laws to permit business and industry to make larger deductible contributions to education, and emphasizing the fact that these provisions are not being fully utilized;

    b. support of basic and applied research in colleges and universities--this support in turn providing training opportunities for many students in the fields of science and engineering;

    c. support of training of many students in the fields of science and engineering through the training provisions of the "GI Bill of Rights."

    d. support of significant numbers of graduate students in these fields through the fellowship programs of the National Science Foundation and the U. S. Public Health Service;

    e. the activities of the Bureau of Labor Statistics, the National Science Foundation, the Bureau of the Census, the Office of Education, the Department of Defense, and other governmental groups in assembling valuable statistical information concerning the supply of scientists and engineers in the United States;

    f. the activities of various Federal agencies--especially the National Science Foundation and the U. S. Office of Education--in supporting studies of various kinds having to do with the problems associated with science and engineering education;

g. the experiemental programs of the National Science Foundation in the field of scientific and engineering education, whereby professional societies and university groups have been enabled:

to investigate new methods of attack on their problems through special conferences;

to afford opportunities to college and high school teachers of mathematics and science to improve their competence as teachers through concentrated summer study in "summer institutes" designed especially to meet their needs.

h. the continuing program for student deferments and the activities of the Armed Forces to make optimum use of scientists and engineers in uniform.

i. the educational and informational programs available to all men in the Armed Forces through U. S. Armed Forces Institute, the Service Training Centers, and the like.

2. It is recommended that the President:

a. direct the National Science Foundation, with the cooperation of other departments and agencies to:

(1) continue to study and evaluate possible courses of action (whether or not delineated in this present report) which would tend to solve our scientific and engineering manpower problem;

(2) emphasize programs within its responsibility which will contribute to a solution of the problem;

(3) provide leadership to other departments and agencies in developing plans and activities which will contribute to a solution of the problem.

b. direct all appropriate departments and agencies of the Government to re-examine and strengthen their existing activities which can contribute to the development and effective utilization of engineers and scientists in partial or full mobilization and to coordinate these activities through the Office of Defense Mobilization.

c. direct the Office of Defense Mobilization and the National Science Foundation to (1) report to the President at intervals of six months progress in meeting the Nation's requirements for scientists and engineers, (2) recommend any additional legislative measures required for a solution of the problem, and (3) continue to study other avenues of approach to this problem, including a possible need for an increase of Federal scholarships and fellowships in science and engineering.

CP - 14

January 5, 1955

The White House

Washington

THE CABINET

Government Competition with Business

For consideration by the Cabinet, attached is a paper prepared by the Director of the Bureau of the Budget. This paper proposes the issuance of a Bureau of the Budget Bulletin to be entitled "Commercial-Industrial Activities of the Government Providing Products or Services for Governmental Use". The paper, preceded by a one-page Brief, sets forth the reasons why such a Bulletin would be both in the public interest and consistent with the objectives of this Administration.

Attached to the paper are:

The draft of the proposed Bulletin.

The instructions and the format for the Inventory Report on Commercial Activities.

The instructions and the format for the Evaluation Report on Manufacturing Activities.

The concurrence of the Cabinet and the approval of the President are being requested by the Bureau of the Budget for the issuance of this Bulletin and its attachments.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

THE CABINET

GOVERNMENT COMPETITION WITH BUSINESS

BRIEF

Problem: Should the Bureau of the Budget issue a proposed bulletin initiating a systematic inventory and evaluation of commercial-industrial activities of the Government which provide products or services for the Government's use in possible competition with private enterprise? If so, is the proposed enunciation of policy appropriate?

Discussion: There is public interest in eliminating Government activities which compete with private enterprise. Administrative spokesmen have endorsed such elimination and individual agencies have taken certain steps to reduce the extent of such Government competition.

The Hoffman bill, to reduce competition with business, passed the House in the last session but did not reach the Senate Floor. In hearings on the bill, the Deputy Director of the Bureau of the Budget promised a systematic survey and action program would be forthcoming.

The Department of Defense has been conducting its own survey since last March and has made some progress in reducing the size of its commercial activities. The Department of Commerce has been hearing the complaints of businessmen and attempting to work out solutions between the industry people and the Government department involved.

The Budget plan runs only to commercial-industrial activities of the Government for its own use; it contemplates that evaluation of such activities as are directly for the public (e.g., public power) will be the subject of special individual study from time to time rather than being included in this effort.

The principal issue is the extent to which a Government agency may properly cite lower costs as compared with purchase from private enterprise as a reason for retaining Government operation of a commercial-industrial activity.

Recommendation: That the President approve the proposed plan of the Bureau of the Budget, including the policy statements.

Implementation: Under supervision of the Bureau of the Budget.

Concurrence: Formal concurrence has not been sought. Informal concurrence has been obtained from the Departments of Commerce and Defense, and the Attorney General has indicated no objection to the presentation of this plan to the Cabinet.

Attachment: Fuller explanation, including the proposed policy statements.

GOVERNMENT COMPETITION WITH BUSINESS

EXPLANATORY STATEMENT

Problem: The Bureau of the Budget has drafted a proposed bulletin regarding commercial-industrial activities of the Federal Government. This would distinguish those activities which are conducted by the Government for its own use from those which are provided as a service directly to the public. With respect to the first of these two the bulletin would:

a. State an administration policy on competition with business.

b. Permit agency heads to make exceptions to the policy.

c. Require an immediate inventory of all commercial-industrial activities.

d. Require an evaluation of manufacturing activities to be followed later by an evaluation of other commercial-industrial activities.

e. Provide for reports to the Bureau of the Budget, which in turn would review the progress achieved and make reports when appropriate to Congress and the President.

With respect to the second group of commercial-industrial activities - those which are of direct service to the public (for example, public power), the bulletin avoids trying to bring them within the same framework as the activities for the Government's own use. It indicates, however, that agencies are expected to review and reevaluate such activities, and to reflect the result in their legislative and budget programs.

Discussion: The United States Chamber of Commerce, the Committee on Federal Tax Policy and the National Associated Businessmen, Inc. are all stressing the importance of the Government undertaking an organized program to reduce the area in which the Government competes with private enterprise and to sell the Government's productive facilities to private industry. They maintain that this is in keeping with the philosophy of our basic form of Government and it is necessary to maintain that form of Government. They also contend that the country's finances will be in better shape if these facilities are turned over to private enterprise so that the pruchase price may reduce the national debt, and the taxes which would come from the operation of the facilities in private hands would increase the income annually. The program was touched off by Charles "Electric" Wilson's proposal that "industry buy out the Government's production facilities."

As a result of hearings held before Congresswoman Harden's Subcommittee on Intergovernmental Relations of the House Committee on Government Operation several bills were introduced in the last session of Congress and one passed the House (H. R. 9835). This expressed the intent of Congress that the executive departments of the Government should stop at once activities which competed with private enterprise unnecessarily. The bill would have required the President to have all activities which compete with private enterprise surveyed, and to report to Congress on the action taken to eliminate such activities. A Senate committee was considering possible amendments to the bill when the Session adjourned.

Since most of the commercial activity is carried on by the Department of Defense, most of congressional criticism has been directed to that Department. As a result the Department undertook a comprehensive review of their operations last March. This study is going forward but it is a lengthy process.

The Department of Commerce through its Business and Defense Services Administration is listening to the complaints of businessmen and attempting to work out a solution to the questions raised with the agencies carrying on the activities about which there are complaints or questions. The Department has no basic authority to do anything about this and consequently its activities are limited to informal negotiations with the other agencies. This program is all right as far as it goes, but it does not go far enough since the Department of Commerce is not in a position to take the initiative.

The Hoover Commission is considering this problem through the study being made in subject matter fields by its task forces and it has a special subcommittee devoting its attention to this specific problem in the Department of Defense. It expects to have recommendations in its report.

Since this is an announced part of the administration's program, the Bureau of the Budget has attempted to develop a Government-wide plan for a comprehensive study of what actual competition there is, and what can be done to eliminate or curtail that which does not have to be performed by the Government agencies themselves. The Deputy Director of the Bureau of the Budget promised this kind of a comprehensive study when he appeared as a witness before the House Committee on Government Operations during the last session of Congress.

The activities of the Government which may be competitive with private business may be placed in two categories - those which we do primarily for the public (such as the Tennessee Valley Authority, the Alaska Railroad, etc.), and those which we do primarily for ourselves (such as manufacture of paint for use in the Navy, and the operation of bus lines for official transportation of Government personnel). The activities in the first of these categories need to be reexamined on an individual basis. Their discontinuance, however, is often a matter for significant policy decisions and legislation. It is to the activities in the second category - things we do for ourselves that we could buy commercially - that our general study is to be directed.

The proposed policy statement as drafted by the Bureau of the Budget reads as follows:

> It is the general policy of the administration that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels. Exceptions to this policy shall be made by the head of an agency only where it is clearly demonstrated in each case that it is not in the public interest to procure such product or service from private enterprise.

In further discussion of that statement, as it is to be applied to the evaluation phase of the program, the bulletin reads as follows:

> The relative costs of Government operation compared to purchase from private sources will be a factor in the determination in those cases where the agency head concludes that the product or service cannot be purchased on a competitive basis, and cannot be obtained at reasonable prices from private industry. In those cases it will be necessary to develop detailed data on such costs. In doing so, the costs of Government operation should be fairly computed and complete, covering both direct and indirect costs, including elements not usually chargeable to current appropriations such as depreciation, interest

on the Government's investment, the cost of self-insurance (even though it is unfunded), and there shall also be added an allowance for Federal, State and local taxes to the extent necessary to put the costs on a comparable basis. Also, care must be exercised to see that the costs of procuring materiel from private sources are fairly computed and complete, being truly representative of the lowest price the Government would pay for the quantity and quality needed, and taking account of any applicable indirect costs of the Government for such procurement.

The foregoing statements present the most difficult issue which is involved in this study. On the one hand, it seems inappropriate to excuse Government competition with private enterprise on grounds that the Government is doing the work less expensively, for this line of reasoning might lead the Government to attempt to do nearly everything for itself instead of getting it by purchase or contract. On the other hand, criticism may come if the Government budget must be increased in order to shift from Government operations to procurement from private sources.

commendation: That the President approve the proposed plan of the Bureau of the Budget, including the foregoing policy statements. It is also recommended that Cabinet members give the plan their approval.

No such effort of this kind can succeed without direct and warm support from the topmost levels of the administration. The plan is conceived as a team effort with all members of the team sharing in the program.

It is also recommended that the head of each agency give personal direction to the program and that he assign a member of his key staff the responsibility for coordination of the work throughout the agency.

plementation: If approved, the Bureau of the Budget will issue its bulletin which provides for the following steps with respect to commercial-industrial activities conducted by the Government that provide services for the Government's own use:

1. The head of each agency will assign a member of his key staff the responsibility for this program and will issue implementing instructions of his own.

2. Each agency will make an inventory of such commercial-industrial activities which it conducts, including those which are operated by contractors in Government-owned facilities.

3. Each agency shall evaluate at this time all manufacturing activities which are included in the inventory, determine which can be curtailed or eliminated, and take appropriate action.

4. Each agency will report the results of the inventory and evaluation to the Bureau of the Budget.

5. Where an agency thinks an activity could be curtailed or eliminated but it is required by law to carry it on, provision is made for the submission of proposed legislation.

6. Basic adjustments in the plan will be made to take advantage of the work that the Department of Defense has already done to avoid the necessity of retracing any of its steps.

7. The primary responsibility for decisions would be that of the agency head. The Bureau of the Budget will review the agency reports, and question the decision on individual cases only where it appears that the general policy is not being followed.

8. The schedule is as follows:

    (a) Implementing instructions would be issued by the agencies 30 days after the issuance of the Budget bulletin.

    (b) The inventory of all commercial-industrial activities would be completed 90 days after issuance of the bulletin.

    (c) The evaluation of all manufacturing activities would be completed 180 days after issuance of the bulletin.

These dates have been set to enable a report to be prepared for submission to Congress during the next session.

Additional bulletins will be issued subsequently dealing with the evaluation of non-manufacturing activities of a commercial-industrial nature.

Concurrences: In developing this plan there has been a close working relationship between the Bureau of the Budget and the Department of Defense. The Commerce Department has been consulted as well as representatives of Agriculture, Interior, Justice, GSA, VA, the Corps of Engineers and Post Office. Informal concurrence has been obtained from the Departments of Commerce and Defense, and the Attorney General has indicated no objection to the presentation of this plan to the Cabinet.

Draft
12/6/54

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
Washington 25, D. C.

BULLETIN NO. January 1955

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Commercial-industrial activities of the Government providing products or services for governmental use

1. Purpose of Bulletin. This Bulletin initiates a review of those commercial-industrial type activities conducted by the Government that provide services or products for its own use which could be procured from private enterprise through ordinary business channels (hereafter called commercial activities). It also sets forth Government policy with respect to both the starting and carrying on of such activities.

The fact that this Bulletin does not deal with products or services provided directly to the public, does not, in any way, relieve the agencies of keeping such activities under constant review and reevaluation as to the need for the Government to carry on such activities. The results of such reevaluation will be reflected in the legislative and budget programs.

2. Policy. It is the general policy of the administration that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels. Exceptions to this policy shall be made by the head of an agency only where it is clearly demonstrated in each case that it is not in the public interest to procure such product or service from private enterprise.

3. Responsibility. In furtherance of this policy, the head of each agency shall give personal direction to the accomplishment of the inventory and evaluation of the activities of his agency which fall within the scope of this Bulletin. He shall assign to a member of his key staff the responsibility for direction and coordination of this program throughout the agency.

4. Scope and coverage of review. The review will consist of two phases: (a) an immediate inventory of all commercial activities, and (b) an evaluation of these activities, to be spread over a longer period of time. The first evaluation will cover manufacturing activities as set forth below. This will be followed periodically by similar evaluations on other commercial activities, such as wholesale and retail trade, repair and business services, construction, transportation, communication, public utilities, agriculture, forestry, fisheries, and mining. Instructions for later evaluation reports will be issued subsequently, but agencies may proceed with a program of evaluation and action as fast as time permits.

The following rules will prevail as to coverage of the review:

a. The review will cover activities carried on in the continental U. S. and in the territories of Alaska and Hawaii.

b. In determining whether an activity is "commercial" in nature and "could be procured through ordinary business channels" reference may be made to the Standard Industrial Classification Manual and to ordinary business practice with respect to procurement of services or products. The inclusion of an activity in the manual will be generally considered indicative that it may be procured commercially. There will be excluded from coverage, however, as non-commercial, those functions which are a part of the normal management respon-

ARCHIVAL BOND
25% COTTON

sibilities of a Government agency or a private business of comparable size (such as accounting, personnel work, etc.).

c. Any activity at any one location which involves an equipment investment of less than $5,000 and a product or service with an approximate annual value of less than $25,000 shall be excluded.

d. "Activities conducted by the Government" will exclude Government-owned, contractor-operated facilities as far as evaluation is concerned, but will include such facilities for purposes of the inventory report.

e. "Activities . . . for its own use" will include the activities of producing a service or product primarily for the use of the Government (whether the same agency or other agencies), even though some portion of the product or service is sold or given to the public. It will include activities which are to provide a service or product for the use of a Government agency or Government staff in its official duties, even though the agency or staff is engaged in carrying out a service to the public (e.g., it will include the manufacture of mail bags or the generation of power at a Government institution). However, the coverage will exclude the activities of producing a service or product primarily to be sold or given to the public (e.g., it will exclude the generation of power for sale to the public).

5. Inventory of commercial activities. Each agency shall prepare an inventory of all such commercial activities. The inventory shall identify the activity in terms of the Standard Industrial Classification Manual, the number of installations or the locations where the activity is conducted, the capital assets invested in the activity, and the average number of employees engaged in the activity. Exhibit   indicates the format for reporting this inventory to the Bureau of the Budget. Instructions for the report appear as Attachment A.

6. Evaluation of manufacturing activities. Each agency shall make an evaluation of all its commercial activities which are classified as manufacturing in the inventory. Government-owned, contractor-operated activities included in the inventory report required under section 5 above, are not required to be evaluated at this time.

The evaluation should determine whether or not each of these manufacturing activities should be continued by the Government in the light of the objectives stated in section 2 above.

The relative costs of Government operation compared to purchase from private sources will be a factor in the determination in those cases where the agency head concludes that the product or service cannot be purchased on a competitive basis, and cannot be obtained at reasonable prices from private industry. In those cases it will be necessary to develop detailed data on such costs. In doing so, the costs of Government operation should be fairly computed and complete, covering both direct and indirect costs, including elements not usually chargeable to current appropriations such as depreciation, interest on the Government's investment, the cost of self-insurance (even though it is unfunded), and there shall also be added an allowance for Federal, State and local taxes to the extent necessary to put the costs on a comparable basis. Also, care must be exercised to see that the costs of procuring materiel from private sources are fairly computed and complete, being truly representative of the lowest price the Government would pay for the quantity and quality needed, and taking account of any applicable indirect costs of the Government for such procurement.

The evaluation should proceed promptly so that a report of the results may be made as provided in paragraph 9 below. Except where prevented by law, activities should be discontinued as soon as the agency head determines that it is reasonably possible to do so. Where legislative action would be necessary to permit this discontinuance, the agency head should arrange for the drafting of legislation and its submission for clearance through the usual channels.

A report on each manufacturing activity conducted during fiscal years 1954 and 1955 shall be submitted on exhibit , copy attached, showing what the agency head decides to do about the elimination, curtailment or continuation of each activity. The form is divided into three sections. Section A shall be completed on all reportable activities. Section B shall be completed on those activities which are being curtailed, eliminated or procured from commercial sources. Section C shall be completed for all activities which will continue as Government operations. Applicable questions only need be answered. The justification for the continuation as a government operation must be complete. Instructions for this report appear as Attachment B.

7. Applicability to Department of Defense. Inasmuch as the Department of Defense started its own review of these activities some months ago, special instructions will be issued for that Department in order to take full advantage of the work already done.

8. Questions and interpretations. Any questions regarding completion of the forms or interpretation as to coverage should be presented to the respective Bureau of the Budget examiners.

9. Reporting dates. The name of the individual designated to direct the program and three copies of whatever implementing instructions are issued by the agency shall be furnished the Bureau of the Budget by February 15, 1955. Three copies of the inventory reports (exhibit) shall be submitted to the Bureau of the Budget on or before April 15, 1955. Three copies of the reports on evaluation of manufacturing activities (exhibit) shall be submitted to the Bureau of the Budget on or before July 15, 1955. Copies of the form may be secured from the Bureau of the Budget, Publications Unit, extension 616.

By direction of the President:

ROWLAND R. HUGHES
Director

Attachments

Attachment A
To Budget Bulletin
No. _______

INSTRUCTIONS FOR INVENTORY REPORT ON COMMERCIAL ACTIVITIES

Prepare the report on letter-size paper in the format appearing on the reverse.

A separate report shall be submitted for each bureau, service, or other major administrative unit within the agency.

List on separate pages and designate appropriately (a) those activities or services which are Government-operated, (b) those which are Government-owned but contractor-operated.

Include all commercial activities conducted during any part of fiscal years 1954 or 1955.

Column 1 - The type of activity or service being carried on should be classified according to the Standard Industrial Classification Manual (obtainable from the Superintendent of Documents), giving the industry classification number and the industry title as shown in the Manual, and be followed by such additional words or phrases as will help to identify the specific activity being carried on. Where a major installation is itself a commercial activity and has a number of commercial activities as components, the installation should be listed by its overall functions and the component activities listed under it. Number each major activity consecutively beginning with the figure "1" on each page.

Column 2 - If the activity is confined to one or a few locations, list them individually. If there are many locations, the number of separate facilities will be sufficient if accompanied by some general indication of locations.

Column 3 - List the amount of capital assests used primarily for the activity. Use only one figure for the total of land, buildings, and equipment. Use same figures as reported to GSA in its Inventory of Federal Real Property holdings, to the extent possible. For those activities not covered in the GSA report, use same valuation basis (original cost) as used for that report.

Column 4 - Show the average number of persons employed annually on the particular activity. This figure can be computed by averaging the figures reported to the CSC on Form 113. If the operation is seasonal, show the average employment for only the months during which the activity was performed and indicate in parentheses the number of months during which the activity was performed.

Column 5 - Use this column for any special information considered pertinent from the standpoint of the development of an inventory. Do not try to justify the conduct of the activity here. Wherever necessary, justifications will be developed through subsequent surveys.

Exhibit 55-

Page No. ____ of ____

INVENTORY REPORT OF COMMERCIAL ACTIVITIES

Date ________________

Check one

☐ Gov't. operated

☐ Gov't-owned, contractor-operated

Agency ________________ Bureau ________________

Activity (1)	Location or number of installations (2)	Capital assets (3)	Number of employees (4)	Comment (5)

Attachment B
November 12, 1954

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET

Instructions for Evaluation Report on Manufacturing Activities

SECTION A.—This section is to be filled out on all manufacturing activities. Answer those questions which are applicable only.

1. Use the industrial title from the Standard Industrial Classification Manual which describes the activity at the highest organization level that can be analyzed as a separate commercial activity, even though it may have a number of commercial activities as components. For example, a shipyard would be the industrial activity and not the individual activities which make up a shipyard, such as foundries, machine shops, etc.

2. Use the code number corresponding to the title from the Standard Industrial Classification Manual.

3. Refer to the proper page and line of the agency's inventory report previously submitted.

4. This should be the number of similar installations. Exclude those reported elsewhere as a part of another major activity.

5. If there are relatively few such installations, give their location. If there is a large number of such installations, use some descriptive term, such as "at all dam construction sites" or "one in each seaboard state."

6. Show the subordinate activities of an industrial type listed in the Standard Industrial Classification Manual which form a part of the major activity listed in No. 1.

7. This should be an estimate of the total expenditures attributable to the activity for the fiscal year 1953.

8. This should be an estimate of the total expenditures attributable to the activity for the fiscal year 1954.

9. Show the number of employees assigned to the activity who were included on the Standard Form 113 report to the Civil Service Commission and the number of military personnel assigned to the activity.

10. If the number of employees shown in No. 9 is not representative of the normal or seasonal size of the operation, explain the seasonal character and give figures which reflect the maximum employment during the peak season.

11. On a percentage basis, account for the disposition made during fiscal year 1954 of the products manufactured.

12. The value of land and buildings should be the same (initial cost) as reported to the GSA in connection with its survey of real property holdings. For those assets disposed of before or acquired after December 31, 1953 which would not be included in the GSA survey, use the same concept of initial cost, or the best estimate thereof, in setting the asset figure. This concept should also govern the value placed on equipment which was not covered by the GSA survey.

13. Check the block which indicates the authority and circumstances under which the activity is conducted. If it is required by law check "Required." If it is specifically authorized but not required by law, check "Specifically authorized." If it is not specifically authorized or required but has been the subject of specific congressional approval in appropriation acts or some other legislation, check "Congressional approval" and explain the circumstances. If there is no specific approval, but the agency considers that its basic legislation authorizes the activity, check "General authorization." Use the "Other" block only if none of the others are applicable and explain the circumstances. Wherever there is legislation under which the activity is authorized, give the U. S. Code citation.

14. Indicate by a check what the agency head determines is to be done about the continuation of the activity. Check the block "Eliminate" if the Government operation is to be closed and the facilities disposed of. Check "Curtail" if the volume of activity is being reduced but the activity will continue as a Government operation. "Continue" will be used to denote the decision that it is in the public interest for the activity to be conducted as a Government operation. Check "Other" if the activity is being converted to a contractor-operated basis or some combination of ways of procuring the product. If the "Other" block is checked, give a brief explanation of what is to be done.

SECTION B.—This section should be completed for all activities on which No. 14 is not checked "Continue."

15. State exactly what is to be done.

16. Show the date on which the activity has been or will be eliminated, curtailed, or otherwise modified.

17. If the agency head's determination is not yet in effect, indicate the extent to which negotiations or other actions have progressed on the date of the report.

18. If the agency head's determination cannot be carried out because of existing law, summarize any legislative proposals being submitted.

19. If the assets which were used in the conduct of the activity are to be sold or otherwise disposed of, so indicate. If they are not to be disposed of, give reasons.

20. If any of the assets have been disposed of, show the amount recovered from their sale. If they have not been, but will be later, indicate an estimated amount to be recovered and indicate that it is an estimate of future sales receipts.

21. Use the same basis for determining the value of the assets being retained as was used in estimating the value of the capital assets in No. 12.

22. There will normally be an entry on line two and in addition there may be one on lines one or three, depending on the action being taken. The first line should show savings. The second should show amounts formerly spent for Government operations which hereafter will be spent for procurement of the product by direct purchase or contractual arrangements. The third line should show any increase in out-of-pocket costs of procuring the product, whether or not additional appropriations will be requested. The last line will be used for any other circumstances which will prevail. These need not be exact figures developed by a cost study but may be estimated amounts.

23. The changes in the numbers of persons engaged in the activity will be related to the answer on No. 9. The number eliminated does not necessarily mean that the particular individuals will be terminated but it does mean that the personnel requirements of the agency will be reduced to that extent so far as the activity is concerned.

SECTION C.— Is to be completed whenever the agency head decides that the activity is to be continued as a direct Government operation.

24. This justification must be complete, showing the reasons why the agency head has decided that there is a clear demonstration that it is not in the public interest to procure such product or service from private enterprise.

25. If unavailability of the product commercially is a reason given in No. 24, this item will be used to indicate the circumstances under which the product or service is provided by private enterprise under normal business conditions. It should also indicate whether the geographical location of the activity is such that private enterprise is not in position to fill the agency's needs. This should be answered only after specific analysis of the problem and must include a description of the steps which the agency has taken to be sure that private industry either can or cannot furnish the agency's needs.

26. If cost is a reason given in No. 24, this item will be used to indicate the comparative costs. Since cost should not usually be the deciding factor in determining whether to continue the operation as a direct Government operation, this statement should show both the results of the comparative cost analysis and the elements which have been used in determining the Government cost, both as a direct operation and if the product or service is secured from private industry.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET

EXHIBIT 55-

EVALUATION REPORT ON GOVERNMENT OPERATED MANUFACTURING ACTIVITIES
(TYPE OF INDUSTRY)

(DATE) (AGENCY) (BUREAU)

ADDITIONAL INFORMATION WILL BE SUPPLIED BY: SUBMITTED BY: (Sign)

NAME

(TITLE)

TITLE TEL. NO.

SECTION A (TO BE COMPLETED ON EACH ACTIVITY EVALUATED)

1. INDUSTRIAL ACTIVITY TITLE

2. INDUSTRY CODE NO.

3. INVENTORY REPORT REFERENCE
PAGE LINE

4. NO. OF INSTALLATIONS

5. LOCATION OF INSTALLATIONS

6. COMPONENT ACTIVITIES

7. EXPENDITURE FISCAL YEAR 1953
$

8. EXPENDITURE FISCAL YEAR 1954 $

9. NO. EMPLOYEES JUNE 30, 1954:
CIVILIAN
MILITARY

10. EXPLAIN ANY SPECIAL SEASONAL ACTIVITY
PEAK EMPLOYMENT: CIVILIAN MILITARY

11. DISPOSITION OF PRODUCT FISCAL YEAR 1954: GOVERNMENT USE % DISTRIBUTED TO PUBLIC FREE % SOLD TO PUBLIC %

12. VALUE OF CAPITAL ASSETS: LAND $ BUILDINGS $ EQUIPMENT $

13. LEGAL AUTHORIZATION:
REQUIRED SPECIFICALLY AUTHORIZED CONGRESSIONAL APPROVAL (EXPLAIN)

U. S. CODE REFERENCE OR EXPLANATION: GENERAL AUTHORIZATION OTHER (EXPLAIN)

14. AGENCY DETERMINATION: ELIMINATE CURTAIL CONTINUE OTHER (EXPLAIN)

SECTION B (TO BE COMPLETED ON ALL ACTIVITIES ON WHICH NO. 14 IS NOT CHECKED "CONTINUE")

15. SPECIFIC ACTION	16. EFFECTIVE DATE OF ACTION ____________
17. STATUS OF ACTION	18. EXPLAIN ANY LEGISLATION NEEDED TO EFFECT ACTION
19. DISPOSITION OF ASSETS	20. AMOUNT RECOVERED $____________ 21. VALUE OF ASSETS RETAINED $____________

22. EFFECT ON ANNUAL EXPENDITURES

______ Less Will Be Spent

______ Will Be Spent In A Different Manner (As Payments To Vendors Or Contractors Rather Than For Personnel and Facilities)

______ More Will Be Spent

______ Other (Explain)

23. REDUCTION IN NUMBER OF PERSONNEL

______ Civilian))Fewer Employees

______ Military) will be needed

______ Other (Explain)

SECTION C (TO BE COMPLETED FOR ALL ACTIVITIES ON WHICH NO. 14 IS CHECKED "CONTINUE")

24. REASON FOR DECISION TO CONTINUE AS GOVERNMENT OPERATION (If More Space Is Needed Attach A Separate Sheet)

25. IF UNAVAILABILITY OF PRODUCT OR SERVICE COMMERCIALLY IS REASON GIVEN IN NO. 24, EXPLAIN.

26. IF COST IS REASON GIVEN IN NO. 24, IDENTIFY ITEMS CONSIDERED IN COST COMPUTAT AND SOURCE OF COMMERCIAL COSTS USED IN COMPARISONS.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 14/1

January 15, 1955

THE CABINET

Government Competition with Business

The attached approved paper is circulated for action by each Department under the supervision of the Bureau of the Budget.

The Cabinet and the President approved the recommendations of this paper, and the Bulletin, at the Cabinet Meeting of January 7, 1955 (Cabinet RA-8, January 10, 1955, Item 4). The Bulletin has been revised as was requested, and is attached here in its final form.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

THE CABINET

GOVERNMENT COMPETITION WITH BUSINESS

BRIEF

Problem: Should the Bureau of the Budget issue a proposed bulletin initiating a systematic inventory and evaluation of commercial-industrial activities of the Government which provide products or services for the Government's use in possible competition with private enterprise? If so, is the proposed enunciation of policy appropriate?

Discussion: There is public interest in eliminating Government activities which compete with private enterprise. Administrative spokesmen have endorsed such elimination and individual agencies have taken certain steps to reduce the extent of such Government competition.

The Hoffman bill, to reduce competition with business, passed the House in the last session but did not reach the Senate Floor. In hearings on the bill, the Deputy Director of the Bureau of the Budget promised a systematic survey and action program would be forthcoming.

The Department of Defense has been conducting its own survey since last March and has made some progress in reducing the size of its commercial activities. The Department of Commerce has been hearing the complaints of businessmen and attempting to work out solutions between the industry people and the Government department involved.

The Budget plan runs only to commercial-industrial activities of the Government for its own use; it contemplates that evaluation of such activities as are directly for the public (e.g., public power) will be the subject of special individual study from time to time rather than being included in this effort.

The principal issue is the extent to which a Government agency may properly cite lower costs as compared with purchase from private enterprise as a reason for retaining Government operation of a commercial-industrial activity.

Recommendation: That the President approve the proposed plan of the Bureau of the Budget, including the policy statements.

Implementation: Under supervision of the Bureau of the Budget.

Concurrence: Formal concurrence has not been sought. Informal concurrence has been obtained from the Departments of Commerce and Defense, and the Attorney General has indicated no objection to the presentation of this plan to the Cabinet.

Attachment: Fuller explanation, including the proposed policy statements.

CABINET PAPER

For Action

GOVERNMENT COMPETITION WITH BUSINESS

EXPLANATORY STATEMENT

Problem: The Bureau of the Budget has drafted a proposed bulletin regarding commercial-industrial activities of the Federal Government. This would distinguish those activities which are conducted by the Government for its own use from those which are provided as a service directly to the public. With respect to the first of these two the bulletin would:

a. State an administration policy on competition with business.

b. Permit agency heads to make exceptions to the policy.

c. Require an immediate inventory of all commercial-industrial activities.

d. Require an evaluation of manufacturing activities to be followed later by an evaluation of other commercial-industrial activities.

e. Provide for reports to the Bureau of the Budget, which in turn would review the progress achieved and make reports when appropriate to Congress and the President.

With respect to the second group of commercial-industrial activities - those which are of direct service to the public (for example, public power), the bulletin avoids trying to bring them within the same framework as the activities for the Government's own use. It indicates, however, that agencies are expected to review and reevaluate such activities, and to reflect the result in their legislative and budget programs.

Discussion: The United States Chamber of Commerce, the Committee on Federal Tax Policy and the National Associated Businessmen, Inc. are all stressing the importance of the Government undertaking an organized program to reduce the area in which the Government competes with private enterprise and to sell the Government's productive facilities to private industry. They maintain that this is in keeping with the philosophy of our basic form of Government and it is necessary to maintain that form of Government. They also contend that the country's finances will be in better shape if these facilities are turned over to private enterprise so that the pruchase price may reduce the national debt, and the taxes which would come from the operation of the facilities in private hands would increase the income annually. The program was touched off by Charles "Electric" Wilson's proposal that "industry buy out the Government's production facilities."

As a result of hearings held before Congresswoman Harden's Subcommittee on Intergovernmental Relations of the House Committee on Government Operation several bills were introduced in the last session of Congress and one passed the House (H. R. 9835). This expressed the intent of Congress that the executive departments of the Government should stop at once activities which competed with private enterprise unnecessarily. The bill would have required the President to have all activities which compete with private enterprise surveyed, and to report to Congress on the action taken to eliminate such activities. A Senate committee was considering possible amendments to the bill when the Session adjourned.

Since most of the commercial activity is carried on by the Department of Defense, most of congressional criticism has been directed to that Department. As a result the Department undertook a comprehensive review of their operations last March. This study is going forward but it is a lengthy process.

The Department of Commerce through its Business and Defense Services Administration is listening to the complaints of businessmen and attempting to work out a solution to the questions raised with the agencies carrying on the activities about which there are complaints or questions. The Department has no basic authority to do anything about this and consequently its activities are limited to informal negotiations with the other agencies. This program is all right as far as it goes, but it does not go far enough since the Department of Commerce is not in a position to take the initiative.

The Hoover Commission is considering this problem through the study being made in subject matter fields by its task forces and it has a special subcommittee devoting its attention to this specific problem in the Department of Defense. It expects to have recommendations in its report.

Since this is an announced part of the administration's program, the Bureau of the Budget has attempted to develop a Government-wide plan for a comprehensive study of what actual competition there is, and what can be done to eliminate or curtail that which does not have to be performed by the Government agencies themselves. The Deputy Director of the Bureau of the Budget promised this kind of a comprehensive study when he appeared as a witness before the House Committee on Government Operations during the last session of Congress.

The activities of the Government which may be competitive with private business may be placed in two categories - those which we do primarily for the public (such as the Tennessee Valley Authority, the Alaska Railroad, etc.), and those which we do primarily for ourselves (such as manufacture of paint for use in the Navy, and the operation of bus lines for official transportation of Government personnel). The activities in the first of these categories need to be reexamined on an individual basis. Their discontinuance, however, is often a matter for significant policy decisions and legislation. It is to the activities in the second category - things we do for ourselves that we could buy commercially - that our general study is to be directed.

The proposed policy statement as drafted by the Bureau of the Budget reads as follows:

> It is the general policy of the administration that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels. Exceptions to this policy shall be made by the head of an agency only where it is clearly demonstrated in each case that it is not in the public interest to procure such product or service from private enterprise.

In further discussion of that statement, as it is to be applied to the evaluation phase of the program, the bulletin reads as follows:

> The relative costs of Government operation compared to purchase from private sources will be a factor in the determination in those cases where the agency head concludes that the product or service cannot be purchased on a competitive basis, and cannot be obtained at reasonable prices from private industry. In those cases it will be necessary to develop detailed data on such costs. In doing so, the costs of Government operation should be fairly computed and complete, covering both direct and indirect costs, including elements not usually chargeable to current appropriations such as depreciation, interest

on the Government's investment, the cost of self-insurance (even though it is unfunded), and there shall also be added an allowance for Federal, State and local taxes to the extent necessary to put the costs on a comparable basis. Also, care must be exercised to see that the costs of procuring materiel from private sources are fairly computed and complete, being truly representative of the lowest price the Government would pay for the quantity and quality needed, and taking account of any applicable indirect costs of the Government for such procurement.

The foregoing statements present the most difficult issue which is involved in this study. On the one hand, it seems inappropriate to excuse Government competition with private enterprise on grounds that the Government is doing the work less expensively, for this line of reasoning might lead the Government to attempt to do nearly everything for itself instead of getting it by purchase or contract. On the other hand, criticism may come if the Government budget must be increased in order to shift from Government operations to procurement from private sources.

Recommendation: That the President approve the proposed plan of the Bureau of the Budget, including the foregoing policy statements. It is also recommended that Cabinet members give the plan their approval.

No such effort of this kind can succeed without direct and warm support from the topmost levels of the administration. The plan is conceived as a team effort with all members of the team sharing in the program.

It is also recommended that the head of each agency give personal direction to the program and that he assign a member of his key staff the responsibility for coordination of the work throughout the agency.

Implementation: If approved, the Bureau of the Budget will issue its bulletin which provides for the following steps with respect to commercial-industrial activities conducted by the Government that provide services for the Government's own use:

1. The head of each agency will assign a member of his key staff the responsibility for this program and will issue implementing instructions of his own.

2. Each agency will make an inventory of such commercial-industrial activities which it conducts, including those which are operated by contractors in Government-owned facilities.

3. Each agency shall evaluate at this time all manufacturing activities which are included in the inventory, determine which can be curtailed or eliminated, and take appropriate action.

4. Each agency will report the results of the inventory and evaluation to the Bureau of the Budget.

5. Where an agency thinks an activity could be curtailed or eliminated but it is required by law to carry it on, provision is made for the submission of proposed legislation.

6. Basic adjustments in the plan will be made to take advantage of the work that the Department of Defense has already done to avoid the necessity of retracing any of its steps.

7. The primary responsibility for decisions would be that of the agency head. The Bureau of the Budget will review the agency reports, and question the decision on individual cases only where it appears that the general policy is not being followed.

8. The schedule is as follows:

   (a) Implementing instructions would be issued by the agencies 30 days after the issuance of the Budget bulletin.

   (b) The inventory of all commercial-industrial activities would be completed 90 days after issuance of the bulletin.

   (c) The evaluation of all manufacturing activities would be completed 180 days after issuance of the bulletin.

   These dates have been set to enable a report to be prepared for submission to Congress during the next session.

Additional bulletins will be issued subsequently dealing with the evaluation of non-manufacturing activities of a commercial-industrial nature.

Concurrences: In developing this plan there has been a close working relationship between the Bureau of the Budget and the Department of Defense. The Commerce Department has been consulted as well as representatives of Agriculture, Interior, Justice, GSA, VA, the Corps of Engineers and Post Office. Informal concurrence has been obtained from the Departments of Commerce and Defense, and the Attorney General has indicated no objection to the presentation of this plan to the Cabinet.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D. C.

BULLETIN NO. 55-4 January 15, 1955

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Commercial-industrial activities of the Government providing products or services for governmental use

1. Purpose. This Bulletin initiates a review of those commercial-industrial type activities conducted by the Government that provide services or products for its own use which could be procured from private enterprise through ordinary business channels (hereafter called commercial activities). It also sets forth Government policy with respect to both the starting and carrying on of such activities.

The fact that this Bulletin does not deal with products or services provided directly to the public in no way relieves the agencies of keeping such activities under constant review and reevaluation as to the need for the Government to carry on such activities. The results of such reevaluation will be reflected in the legislative and budget programs.

2. Policy. It is the general policy of the administration that the Federal Government will not start or carry on any commercial activity to provide a service or product for its own use if such product or service can be procured from private enterprise through ordinary business channels. Exceptions to this policy shall be made by the head of an agency only where it is clearly demonstrated in each case that it is not in the public interest to procure such product or service from private enterprise.

3. Responsibility. In furtherance of this policy, the head of each agency shall give personal direction to the accomplishment of the review (inventory and evaluation) of the activities of his agency which fall within the scope of this Bulletin. He shall assign to a member of his key staff the responsibility for direction and coordination of this program throughout the agency.

4. Scope and coverage of review. The review will consist of two phases: (a) an immediate inventory of all commercial activities, and (b) an evaluation of these activities, to be spread over a longer period of time. The first evaluation will cover manufacturing activities as set forth below. This will be followed periodically by similar evaluations of other commercial activities, such as wholesale and retail trade, repair and business services, construction, transportation, communication, public utilities, agriculture, forestry, fisheries, and mining. Instructions for later evaluation reports will be issued subsequently, but agencies may proceed with a program of evaluation and action as fast as time permits.

The following rules will prevail as to coverage of the review:

a. The review will cover activities carried on in the continental United States and in the Territories of Alaska and Hawaii.

b. In determining whether an activity is "commercial" in nature and "could be procured . . . through ordinary business channels," reference may be made to the Standard Industrial Classification Manual and to ordinary business practice with respect to procurement of services or products. The inclusion of an activity in the manual will be generally considered indicative that it may be procured commercially. There will be excluded from coverage as noncommercial, however, those functions which are a part of the normal management responsibilities of a Government agency or a private business of comparable size (such as accounting, personnel work, and the like).

c. Any activity at any one location which involves an equipment investment of less than $5,000 and a product or service with an approximate annual value of less than $25,000 shall be excluded.

d. "Activities conducted by the Government" will exclude Government-owned, contractor-operated facilities as far as evaluation is concerned, but will include such facilities for purposes of the inventory report.

e. "Activities . . . for its own use" will include the activities of producing a service or product primarily for the use of the Government (whether the same agency or other agencies), even though some portion of the product or service is sold or given to the public. The coverage will include activities which are to provide a service or product for the use of a Government agency in its official duties, even though the agency is engaged in carrying out a service to the public (e.g., it will include the manufacture of mail bags or the generation of power at a Government institution). However, the coverage will exclude the activities of producing a service or product primarily to be sold or given to the public (e.g., it will exclude the generation of power for sale to the public).

5. Inventory of commercial activities. Each agency shall prepare an inventory of all commercial activities. The inventory shall identify the activity in terms of the Standard Industrial Classification Manual, the number of installations or the locations where the activity is conducted, the capital assets invested in the activity, and the average number of employees engaged in the activity. Exhibit 55-4A indicates the format for reporting this inventory to the Bureau of the Budget. Instructions for this report are contained in Attachment A.

6. Evaluation of manufacturing activities. Each agency shall make an evaluation of all its commercial activities which are classified as manufacturing in the inventory. Government-owned, contractor-operated activities included in the inventory report required under paragraph 5 above are not required to be evaluated at this time.

The evaluation should determine whether or not each of these manufacturing activities should be continued by the Government in the light of the objectives stated in paragraph 2 above.

The relative costs of Government operation compared to purchase from private sources will be a factor in the determination in those cases where the agency head concludes that the product or service cannot be purchased on a competitive basis and cannot be obtained at reasonable prices from private industry. In those cases it will be necessary to develop detailed data on such costs. In doing so, the costs of Government operation should be fairly computed and complete, covering both direct and indirect costs, including elements not usually chargeable to current appropriations such as depreciation, interest on the Government's investment, the cost of self-insurance (even though it is unfunded); there shall also be added an allowance for Federal, State, and local taxes to the extent necessary to put the costs on a comparable basis. Care must also be exercised to see that the costs of procuring material from private sources are fairly computed and complete, being truly representative of the lowest price the Government would pay for the quantity and quality needed, and taking account of any applicable indirect costs of the Government for such procurement.

The evaluation will also review the legal authorization for each activity and determine whether congressional action is necessary to permit discontinuance. Except where such congressional action would be required, activities should be discontinued as soon as the agency head determines that it is reasonably possible to do so. Where congressional action would be necessary to permit discontinuance, the agency head shall seek such action promptly, submitting drafts of legislation or appropriation language, as may be required, to the Bureau of the Budget in the usual manner.

The evaluation should proceed promptly so that a report of the results may be made as provided in paragraph 9 below. The report on each manufacturing activity conducted during any part of fiscal years 1954 and 1955 shall be submitted on exhibit 55-4B, showing what the agency head decides to do about the elimination, curtailment, or continuation of each activity. The form is divided into three sections. Section A shall be completed on all reportable activities. Section B shall be completed on those activities which are being curtailed, eliminated, or procured from commercial sources. Section C shall be completed for all activities which will continue as Government operations. Applicable questions only need to be answered. The justification for continuation as a Government operation must be complete. Instructions for this report are contained in Attachment B.

7. Applicability to Department of Defense. Inasmuch as the Department of Defense started its own review of these activities some months ago, special instructions will be issued for that department in order to take full advantage of the work already done.

8. Questions and interpretations. Any questions regarding completion of the forms or interpretation as to coverage should be presented to the respective Bureau of the Budget examiners.

9. Reporting dates. The name of the individual designated to direct the program and three copies of whatever implementing instructions are issued by the agency shall be furnished the Bureau of the Budget by February 15, 1955. Three copies of the inventory reports (exhibit 55-4A) shall be submitted to the Bureau of the Budget on or before April 15, 1955. Three copies of the reports on evaluation of manufacturing activities (exhibit 55-4B) shall be submitted to the Bureau of the Budget on or before July 15, 1955. Copies of the evaluation report form may be secured in limited quantity from the Bureau of the Budget Publications Unit, code 189, extension 616.

By direction of the President:

ROWLAND R. HUGHES
Director

Attachments

Attachment A
To Bureau of the Budget
Bulletin No. 55-4

INSTRUCTIONS FOR INVENTORY REPORT ON COMMERCIAL ACTIVITIES

Prepare the report on letter-size paper in the format appearing on the reverse.

A separate report shall be submitted for each bureau, service, or other major administrative unit within the agency.

List on separate pages and designate appropriately (a) those activities or services which are Government-operated, and (b) those which are Government-owned but contractor-operated.

Include all commercial activities conducted during any part of fiscal years 1954 or 1955.

Column 1 - The type of activity or service should be classified according to the Standard Industrial Classification Manual (obtainable from the Superintendent of Documents), giving the industry classification number and the industry title as shown in the Manual, and be followed by such additional words or phrases as will help to identify the specific activity or service. Where a major installation is itself a commercial activity and has a number of commercial activities as components, the installation should be listed by its overall functions and the component activities listed under it. Number each major activity consecutively beginning with the figure "1" on each page.

Column 2 - If the activity is confined to one or a few locations, list them individually. If there are many locations, the number of separate facilities will be sufficient if accompanied by some general indication of locations.

Column 3 - Estimate the value of capital assets used primarily for the activity. Use only one figure for the total of land, buildings, and equipment. Use same figures as reported to the General Services Administration in its Inventory of Federal Real Property Holdings, to the extent possible. For those activities not covered in the General Services Administration report, use same valuation basis (original cost) as used for that report.

Column 4 - Show the average number of persons employed annually on the particular activity. This figure can be computed by averaging the figures reported to the Civil Service Commission on Standard Form 113. If the operation is seasonal, show the average employment for only the months during which the activity was performed and indicate in parentheses the number of months during which the activity was performed.

Column 5 - Use this column for any special information considered pertinent from the standpoint of the development of an inventory. Do not try to justify the conduct of the activity here. Wherever necessary, justifications will be developed through subsequent surveys.

Page No. ____ of ____ (total)

Exhibit 55-4A

INVENTORY REPORT OF COMMERCIAL ACTIVITIES
UNDER BUREAU OF THE BUDGET BULLETIN NO. 55-4

Check one

☐ Gov't. operated

☐ Gov't-owned, contractor operated

Date ____________

Agency ____________

Bureau ____________

Activity (1)	Location or number of installations (2)	Capital assets (3)	Number of employees (4)	Comment (5)

Attachment B
To Bureau of the Budget
Bulletin No. 55-4

INSTRUCTIONS FOR EVALUATION REPORT ON MANUFACTURING ACTIVITIES

SECTION A. This section is to be filled out on all manufacturing activities. Answer only those questions which are applicable.

1. Use the industrial title from the Standard Industrial Classification Manual which describes the activity at the highest organization level that can be analyzed as a separate commercial activity, even though it may have a number of commercial activities as components. For example, a shipyard would be the industrial activity and not the individual activities which make up a shipyard, such as foundries, machine shops, etc.

2. Use the code number corresponding to the title from the Standard Industrial Classification Manual.

3. Refer to the proper page and line of the agency's inventory report previously submitted.

4. This should be the number of similar installations. Exclude those reported elsewhere as a part of another major activity.

5. If there are relatively few such installations, give their location. If there is a larger number of such installations, use some descriptive term, such as "at all dam construction sites" or "one in each seaboard state."

6. Show as subordinate activities the types listed in the Standard Industrial Classification Manual which form a part of the major activity listed in No. 1.

7. This should be an estimate of the total expenditures attributable to the activity for the fiscal year 1954.

8. This should be an estimate of the total expenditures attributable to the activity for the fiscal year 1955.

9. Show the number of employees assigned to the activity who were included on the Standard Form 113 report to the Civil Service Commission and the number of military personnel assigned to the activity.

10. If the number of employees shown in No. 9 is not representative of the normal or seasonal size of the operation, explain the seasonal character and give figures which reflect the maximum employment during the peak season.

11. On a percentage basis, account for the dispostion made during fiscal year 1954 of the products manufactured.

12. The value of land and buildings should be the same (initial cost) as reported to the General Services Administration in connection with its survey of real property holdings. For those assets disposed of before or acquired after December 31, 1953, which are not included in the GSA survey, use the same concept of initial cost, or the best estimate thereof, in setting the asset figure. This concept should also govern the value placed on equipment which was not covered by the GSA survey.

13. Check the block which indicates the authority and circumstances under which the activity is conducted. If it is required by law check "Required." If it is specifically authorized but not required by law, check "Specifically authorized." If it is not specifically authorized or required but has been the subject of specific congressional approval in appropriation acts or some other legislation, check "Congressional approval" and explain the circumstances. If there is no specific approval, but the agency considers that its basic legislation authorizes the activity, check "General authorization." Use the "Other" block only if none of the previously mentioned categories is applicable, and explain the circumstances. Wherever there is legislation under which the activity is authorized, give the U. S. Code citation.

14. Indicate by a check what the agency head determines is to be done about the continuation of the activity. Check the block "Eliminate" if the Government operation is to be closed and the facilities disposed of. Check "Curtail" if the volume of activity is being reduced but the activity will continue as a Government operation. "Continue" will be used to denote the decision that it is in the public interest for the activity to be conducted as a Government operation. Check "Other" if the activity is being converted to a contractor-operated basis or some combination of ways of procuring the product. If the "Other" block is checked, give a brief explanation of what is to be done.

SECTION B. This section should be completed for all activities on which No. 14 is not checked "Continue."

15. State exactly what is to be done.

16. Show the date on which the activity has been or will be eliminated, curtailed, or otherwise modified.

17. If the agency head's determination is not yet in effect, indicate the extent to which negotiations or other actions have progressed on the date of the report.

18. If the agency head's determination cannot be carried out because of existing law, summarize any legislative proposals being submitted to the Bureau of the Budget.

19. If the assets which were used in the conduct of the activity are to be sold or otherwise disposed of, so indicate. If they are not to be disposed of, give reasons.

20. If any of the assets have been disposed of, show the amount recovered from their sale. If they have not been but will be later, indicate an estimated amount to be recovered, adding "estimate."

21. Use the same basis for determining the value of the assets being retained as was used in estimating the value of the capital assets in No. 12.

22. There will normally be an entry on line 2 and in addition there may be one on lines 1 or 3, depending on the action being taken. The first line should show savings. The second should show amounts formerly spent for Government operations which hereafter will be spent for procurement of the product by direct purchase or contractual arrangements. The third line should show any increase in out-of-pocket costs of procuring the product, whether or not additional appropriations will be requested. The last line will be used for any other circumstances which will prevail. These need not be exact figures developed by a cost study but may be estimated amounts.

23. The changes in the numbers of persons engaged in the activity will be related to the answer on No. 9. The number eliminated does not necessarily mean that employment of the particular individuals will be terminated but it does mean that the personnel requirements of the agency will be reduced to that extent so far as the activity is concerned.

SECTION C. This section is to be completed whenever the agency head decides that the activity is to be continued as a direct Government operation.

24. This justification must be complete, showing the reasons why the agency head has decided that there is a clear demonstration that it is not in the public interest to procure such product from private enterprise.

25. If unavailability of the product commercially is a reason given in No. 24, this item will be used to indicate the circumstances under which the product is provided by private enterprise under normal business conditions. It should also indicate whether the geographical location of the activity is such that private enterprise is not in a position to fill the agency's needs. This should be answered only after specific analysis of the problem and must include a description of the steps which the agency has taken to be sure that private industry either can or cannot furnish the agency's needs.

26. If cost is a reason given in No. 24, this item will be used to indicate the comparative costs. Since cost should not usually be the deciding factor in determining whether to continue the operation as a direct Government operation, this statement should show both the results of the comparative cost analysis and the elements which have been used in determining the Government cost, both as a direct operation and if the product is secured from private industry.

5

EXHIBIT 55-4B

EVALUATION REPORT UNDER BUREAU OF THE BUDGET BULLETIN NO. 55-4 ON GOVERNMENT OPERATED MANUFACTURING ACTIVITIES

(AGENCY) (BUREAU) (DATE)

ADDITIONAL INFORMATION WILL BE SUPPLIED BY

SUBMITTED BY: (SIGN) ____________

NAME ____________

(TITLE)

TITLE ____________ TEL. NO. ____________

SECTION A (TO BE COMPLETED ON EACH ACTIVITY EVALUATED)

1. INDUSTRIAL ACTIVITY TITLE	2. INDUSTRY CODE NO.	3. INVENTORY REPORT REFERENCE PAGE ______ LINE ______

4. NO. OF INSTALLATIONS	5. LOCATION OF INSTALLATIONS

6. COMPONENT ACTIVITIES

7. EXPENDITURE FISCAL YEAR 1954 $ ____________

8. EXPENDITURE FISCAL YEAR 1955 $ ____________

9. NO. EMPLOYEES JUNE 30, 1954:

CIVILIAN ____________

MILITARY ____________

10. EXPLAIN ANY SPECIAL SEASONAL ACTIVITY

PEAK EMPLOYMENT: CIVILIAN ____________ MILITARY ____________

11. DISPOSITION OF PRODUCT FISCAL YEAR 1954: GOVERNMENT USE ______% DISTRIBUTED TO PUBLIC FREE ______% SOLD TO PUBLIC ______%

12. VALUE OF CAPITAL ASSETS: LAND $ ______ BUILDINGS $ ______ EQUIPMENT $ ______

13. LEGAL AUTHORIZATION: REQUIRED ☐ SPECIFICALLY AUTHORIZED ☐ CONGRESSIONAL APPROVAL (EXPLAIN) ☐ GENERAL AUTHORIZATION ☐ OTHER (EXPLAIN) ☐

U. S. CODE REFERENCE OR EXPLANATION

14. AGENCY DETERMINATION: ELIMINATE ☐ CURTAIL ☐ CONTINUE ☐ OTHER (EXPLAIN) ☐

SECTION B (TO BE COMPLETED ON ALL ACTIVITIES ON WHICH NO. 14 IS NOT CHECKED "CONTINUE")

15. SPECIFIC ACTION

16. EFFECTIVE DATE OF ACTION ____________

17. STATUS OF ACTION

18. EXPLAIN ANY LEGISLATION NEEDED TO EFFECT ACTION

19. DISPOSITION OF ASSETS

20. AMOUNT RECOVERED $ ____________

21. VALUE OF ASSETS RETAINED $ ____________

22. EFFECT OF ANNUAL EXPENDITURES

$ ____________ LESS WILL BE SPENT

____________ WILL BE SPENT IN A DIFFERENT MANNER (AS PAYMENTS TO VENDORS OR CONTRACTORS RATHER THAN FOR PERSONNEL AND FACILITIES)

____________ MORE WILL BE SPENT

____________ OTHER (EXPLAIN)

23. REDUCTION IN NUMBER OF PERSONNEL

____________ CIVILIAN } FEWER EMPLOYEES WILL BE NEEDED

____________ MILITARY } FEWER EMPLOYEES WILL BE NEEDED

____________ OTHER (EXPLAIN)

SECTION C (TO BE COMPLETED FOR ALL ACTIVITIES ON WHICH NO. 14 IS CHECKED "CONTINUE")

24. REASON FOR DECISION TO CONTINUE AS GOVERNMENT OPERATION (IF MORE SPACE IS NEEDED ATTACH A SEPARATE SHEET).

25. IF UNAVAILABILITY OF PRODUCT OR SERVICE COMMERCIALLY IS REASON GIVEN IN NO. 24, EXPLAIN.

26. IF COST IS REASON GIVEN IN NO. 24, IDENTIFY ITEMS CONSIDERED IN COST COMPUTATIONS AND SOURCE OF COMMERCIAL COSTS USED IN COMPARISONS.

CP - 15

January 5, 1955

The White House

Washington

THE CABINET

Health Insurance for Federal Employees

For consideration by the Cabinet, attached is a paper prepared by the Civil Service Commission in conjunction with the Department of Health, Education and Welfare describing the proposed Health Insurance System for Federal Employees.

It is expected that these proposals will form part of the overall personnel program to be submitted to the 84th Congress on January 11 by Special Messages from the President.

The final concurrence of the Cabinet and the approval of the President are being requested for these proposals; the Cabinet discussion concerning them will be introduced by the President's Adviser on Personnel Management.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

January 3, 1955

UNITED STATES CIVIL SERVICE COMMISSION

HEALTH INSURANCE FOR FEDERAL EMPLOYEES

I. ELIGIBILITY OF EMPLOYEES.

The same employees are eligible for the Group Health Insurance plan as are eligible under the Group Life Insurance plan, plus spouse and children under the age of 19. This includes all appointive or elective officers and employees of the Federal Government and of the Municipal Government of the District of Columbia, unless excluded in the Federal Employees Group Life Insurance Act.

II. PARTICIPATION BY EMPLOYEES ON A VOLUNTARY BASIS.

Each eligible employee will have the right (a) to select one of the various plans offered for himself or for himself and his dependents; or (b) to waive all participation. Each employee must make an affirmative selection.

III. A UNIFORM NATIONAL PLAN.

This will be a cash indemnity plan providing for reimbursement to the insured up to the amounts specified for each item below.

A. Benefits for Employees and Dependents

The benefits listed below will be provided in a single package.

(1) Hospital benefits

(a) The insured will be reimbursed for the actual amount charged for room and board up to $12 per day for a maximum of 70 days for any one admission.

(b) The insured will be reimbursed for the cost of other hospital services up to $240 for any one admission. These extra services include the use of operating and other surgical treatment rooms; laboratory examinations; oxygen and other gas therapy; drugs, and biologicals; etc.

(2) Surgical benefits

The insured will be reimbursed for expenses incurred for surgical operations up to the maximum stipulated in the schedule of benefits which will be established. Maximum benefits for the following operations are illustrative:

Tonsillectomy and adenoidectomy	$ 30
Appendectomy	100
Hemorrhoidectomy	50
Herniotomy	100
Panhysterectomy	175

(3) Maternity benefits

The insured will be reimbursed for expenses incurred for maternity up to $150 for one maternity. This includes everything connected with maternity -- hospital, doctor, etc.

(4) In-Hospital medical benefits

While in the hospital, the insured will be reimbursed for physician's visits up to $3 per day, with a maximum of 70 days for any one admission.

(5) Out-of-hospital benefits

The insured will be reimbursed for out-of-hospital ambulatory diagnostic x-rays and laboratory services according to an established schedule with a maximum of $50 per calendar year on behalf of any one person.

(6) Major medical benefits

The insured will be reimbursed (for covered medical costs) for 75% of the amount by which his medical expense exceeds the deductible. The maximum reimbursement for any one illness will be $2500. (The deductible is $300 or the amount paid under the base plan whichever is greater.)

B. Benefits for Retired Employees.

Each employee eligible for participation who retires after the effective date, either for disability or after 15 years of civilian service (as in the Group Life plan), will be permitted to continue substantial protection at the same rate, provided he authorizes deductions from his annuity check.

C. Benefits for Employees who Separate.

Each employee eligible for participation who separates after the effective date will be permitted to purchase a suitable policy for himself or himself and dependents from a carrier participating in the underwriting at reasonable rates and without evidence of health.

D. Contributions to the Plan.

Authorized payroll deductions and Government contributions (from appropriations for personal services) will be remitted by Government agencies to the Civil Service Commission as in the Group Life plan.

E. Administration of the Plan.

The plan will be administered by the Civil Service Commission with the protection insured on a basis similar to that provided under the Group Life plan. Blue Cross-Blue Shield organizations will share in the risk on a proportionate basis. A single insurance company will be selected by the Civil Service Commission to be the administering company.

F. Premium rate.

The Civil Service Commission will determine the premium rate to be paid the insuring companies.

G. Employee Participation.

In order to make this plan operative, there must be enrollment of at least 600,000 employees plus their dependents.

H. Cost to Employee.

This plan is designed to cost about $2 per bi-weekly pay period for each participating employee or about $6 per bi-weekly pay period for each participating employee and his dependents. The Federal Government will share equally in the cost.

IV. PARTICIPATION OF EXISTING NATIONAL EMPLOYEE ORGANIZATION PLANS.

Each member of a national employee organization whose organization as of December 31, 1954, offered its members accident and health insurance, may continue to offer that protection with right of payroll deductions plus the same extent of Government participation in cost as is provided in the national plan except that the Government's contribution will not exceed $1.00 per bi-weekly pay period for an employee or $2.50 per bi-weekly pay period for an employee and his dependents.

V. LOCAL PLANS.

Payroll deductions and Government participation will be permitted on the same basis as provided in the national plan except that the Government's contribution will not exceed $1.00 per bi-weekly pay period for an employee or $2.50 per bi-weekly pay period for an employee and his dependents. Separating and retiring employees will have whatever privileges are provided by the local plan.

A. Non-Profit Group Plans.

Each employee will have the right to choose to participate for himself or for himself and his dependents in a locally operating health insurance plan authorized by appropriate State authority. Such plans would include a Blue Cross, Blue Shield, or group practice pre-payment plan or similar organization, which serves a substantial number of persons and a significant proportion of the community in which it operates or of the Federal employees in such community, subject to the usual enrollment practices of the plan.

B. Insurance Company Group Plans.

The head of each agency, with the right of delegation to the principal executive officer only, will be authorized to permit an insurance company to offer a group health insurance program to any group of employees under his jurisdiction, providing 75% of the employees in the group accept the program. Such offering must have the approval of the Civil Service Commission, and conform to such definitions of groupings of employees as the Civil Service Commission may prescribe.

VI. COST

Assuming 90% of eligible employees participate, the approximate annual cost of the entire program to the Federal Government will be $75,000,000.

F in
Cabinet Folder

REPRESENTATIVE LIST

Company	Number of Employees (Where Known)	Per cent of cost of Dependents' benefits Paid by Employer
B. F. Goodrich	42,000	100%
Owens-Illinois Glass	29,000	64%
Chrysler Corporation	120,000	50%
Swift and Company	56,000	100%
General Cable		100%
General Tire and Rubber		100%
Armour		100%
90 Upjohn		90%
All of Steel		50% at least
U. S. Rubber		100%
American Can		100%
Caterpillar Tractor		60.6%
General Motors		50%
Socony-Vacuum		46.6%
90 RCA	37,000	90%
Great Atlantic & Pacific	39,000	45%
Sperry		100%
J. P. Morgan		100%
N. Y. Stock Exchange		100%
Union Carbide and Carbon		50%

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 15
January 11, 1955

The White House
Washington

THE CABINET

Health Insurance for Federal Employees

The attached approved paper is circulated for action by the Adviser on Personnel Management and the Civil Service Commission, and for the information of other Cabinet Members.

This paper was approved by the Cabinet at the Cabinet Meeting of January 7, 1955 (Cabinet RA - 8, January 10, 1955, Item 5.) Section III-H has subsequently been amended to provide that the Federal Government will furnish one-third of the cost of this plan.

The proposals in this paper, as amended, and approved by the President, form the basis for the reference to group health insurance made in the President's Special Message of this date to the Congress on personnel legislation.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE CABINET

Health Insurance for Federal Employees

I. ELIGIBILITY OF EMPLOYEES.

The same employees are eligible for the Group Health Insurance plan as are eligible under the Group Life Insurance plan, plus spouse and children under the age of 19. This includes all appointive or elective officers and employees of the Federal Government and of the Municipal Government of the District of Columbia, unless excluded in the Federal Employees Group Life Insurance Act.

II. PARTICIPATION BY EMPLOYEES ON A VOLUNTARY BASIS.

Each eligible employee will have the right (a) to select one of the various plans offered for himself or for himself and his dependents; or (b) to waive all participation. Each employee must make an affirmative selection.

III. A UNIFORM NATIONAL PLAN.

This will be a cash indemnity plan providing for reimbursement to the insured up to the amounts specified for each item below.

A. Benefits for Employees and Dependents

The benefits listed below will be provided in a single package.

(1) Hospital benefits

(a) The insured will be reimbursed for the actual amount charged for room and board up to $12 per day for a maximum of 70 days for any one admission.

(b) The insured will be reimbursed for the cost of other hospital services up to $240 for any one admission. These extra services include the use of operating and other surgical treatment rooms; laboratory examinations; oxygen and other gas therapy; drugs, and biologicals; etc.

(2) Surgical benefits

The insured will be reimbursed for expenses incurred for surgical operations up to the maximum stipulated in the schedule of benefits which will be established. Maximum benefits for the following operations are illustrative:

Tonsillectomy and adenoidectomy	$ 30
Appendectomy	100
Hemorrhoidectomy	50
Herniotomy	100
Panhysterectomy	175

(3) Maternity benefits

The insured will be reimbursed for expenses incurred for maternity up to $150 for one maternity. This includes everything connected with maternity -- hospital, doctor, etc.

(4) In-Hospital medical benefits

While in the hospital, the insured will be reimbursed for physician's visits up to $3 per day, with a maximum of 70 days for any one admission.

(5) Out-of-hospital benefits

The insured will be reimbursed for out-of-hospital ambulatory diagnostic x-rays and laboratory services according to an established schedule with a maximum of $50 per calendar year on behalf of any one person.

(6) Major medical benefits

The insured will be reimbursed (for covered medical costs) for 75% of the amount by which his medical expense exceeds the deductible. The maximum reimbursement for any one illness will be $2500. (The deductible is $300 or the amount paid under the base plan whichever is greater.)

B. Benefits for Retired Employees.

Each employee eligible for participation who retires after the effective date, either for disability or after 15 years of civilian service (as in the Group Life plan), will be permitted to continue substantial protection at the same rate, provided he authorizes deductions from his annuity check.

C. Benefits for Employees who Separate.

Each employee eligible for participation who separates after the effective date will be permitted to purchase a suitable policy for himself or himself and dependents from a carrier participating in the underwriting at reasonable rates and without evidence of health.

D. Contributions to the Plan.

Authorized payroll deductions and Government contributions (from appropriations for personal services) will be remitted by Government agencies to the Civil Service Commission as in the Group Life plan.

E. Administration of the Plan.

The plan will be administered by the Civil Service Commission with the protection insured on a basis similar to that provided under the Group Life plan. Blue Cross-Blue Shield organizations will share in the risk on a proportionate basis. A single insurance company will be selected by the Civil Service Commission to be the administering company.

F. Premium rate.

The Civil Service Commission will determine the premium rate to be paid the insuring companies.

G. Employee Participation.

In order to make this plan operative, there must be enrollment of at least 600,000 employees plus their dependents.

H. Cost to Employee.

This plan is designed to cost about $2 per bi-weekly pay period for each participating employee or about $6 per bi-weekly pay period for each participating employee and his dependents. The Federal Government will share equally in the cost.

IV. PARTICIPATION OF EXISTING NATIONAL EMPLOYEE ORGANIZATION PLANS.

Each member of a national employee organization whose organization as of December 31, 1954, offered its members accident and health insurance, may continue to offer that protection with right of payroll deductions plus the same extent of Government participation in cost as is provided in the national plan except that the Government's contribution will not exceed $1.00 per bi-weekly pay period for an employee or $2.50 per bi-weekly pay period for an employee and his dependents.

V. LOCAL PLANS.

Payroll deductions and Government participation will be permitted on the same basis as provided in the national plan except that the Government's contribution will not exceed $1.00 per bi-weekly pay period for an employee or $2.50 per bi-weekly pay period for an employee and his dependents. Separating and retiring employees will have whatever privileges are provided by the local plan.

A. Non-Profit Group Plans.

Each employee will have the right to choose to participate for himself or for himself and his dependents in a locally operating health insurance plan authorized by appropriate State authority. Such plans would include a Blue Cross, Blue Shield, or group practice pre-payment plan or similar organization, which serves a substantial number of persons and a significant proportion of the community in which it operates or of the Federal employees in such community, subject to the usual enrollment practices of the plan.

B. Insurance Company Group Plans.

The head of each agency, with the right of delegation to the principal executive officer only, will be authorized to permit an insurance company to offer a group health insurance program to any group of employees under his jurisdiction, providing 75% of the employees in the group accept the program. Such offering must have the approval of the Civil Service Commission, and conform to such definitions of groupings of employees as the Civil Service Commission may prescribe.

VI. COST

Assuming 90% of eligible employees participate, the approximate annual cost of the entire program to the Federal Government will be $75,000,000.

CP - 16

January 5, 1955

The White House

Washington

THE CABINET

Consolidation and Extension of Training Authority for Federal Employees

For consideration by the Cabinet, attached is a paper prepared by the Civil Service Commission concerning the training of federal employees outside the government as part of the overall program of career development for U. S. workers.

This paper should be at hand during the coming Cabinet discussion of this subject which will be introduced by the President's Advisor on Personnel Management.

The paper is preceded by a summary.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR CONSIDERATION

SUMMARY

There is no government-wide authority to train employees outside Government's own facilities

17 agencies, or parts of agencies, have special authority to obtain training for selected employees in or by non-Federal facilities.

- This authority is granted by 19 separate laws 5 of which are appropriation acts
- In some cases the authority is broad and unrestricted; in others it is extremely limited
- The controls and safeguards vary greatly

Other agencies which urgently need it have no authority to obtain outside training for their employees

Additional agencies are requesting special legislation

General training bills have been considered, but not passed, for years

- CSC has supported these bills
- Last year the Commission endorsed general legislation in principle, pending a study of need.

Our study shows that

- Agency program needs justify outside training
- Those which can do it find that it pays.

We recommend that CSC sponsor general training legislation

The purpose of the proposed legislation is to make available to all Federal agencies the best and most appropriate resources for training required to meet their program needs.

The training resources of Government itself are already available to agencies. The proposed legislation therefore deals with training outside of the employee's own agency.

The proposed legislation will provide that the President may authorize agencies to send selected employees to outside facilities for training.

It is proposed that the President simultaneously delegate to

- Civil Service Commission, the authority to issue government-wide regulation for administration of the Act
- agencies, the authority to send employees to "outside" facilities for training.

The Commission's regulations will provide for

- agency approval of training at top levels
- careful agency consideration of such factors as the availability and utilization of people already trained, and the probable contribution of the proposed training to the agency's work
- CSC controls on amount of training, and CSC limitations on the training of temporary employees
- Periodic reports by agencies to the Commission
- CSC inspection of agencies' use of the proposed new authority

Agencies will be able to determine

- what kinds of "outside" training will be obtained, and for which employees

- how much of the training costs they will pay, and the methods of payment to be used

* * * * * * * * * * * * * *

We have reviewed the practices of industry and of other public jurisdictions, and we have made a special survey of the training needs of Federal agencies. The results show that

1. Training of employees after appointment is often required

2. Some of this training is best done by outside resources

3. Agency program needs justify use of outside training

4. Agencies which can train outside find that it pays

5. Business trains outside and finds that it pays

6. Other public service groups do, too

Each of these points is discussed in more detail in the pages which follow.

1. Training After Appointment is Often Required

Employees must, of course, prepare themselves to meet normal employment requirements. These requirements, however, are usually for broad categories of positions rather than for specific jobs. Some jobs are now so specialized that people adequately trained in all the required skills are not produced by standard educational programs. In such cases, employees' basic skills must be supplemented by special training.

The content of many occupations is changing rapidly. Neither medicine nor engineering nor accounting remains the same. Employees require training to maintain the level of competence they had when appointed.

Modern methods are constantly changing. An employee who is able to do his job perfectly well today may find work methods so changed tomorrow that he requires training in the new methods. Continuous job training is a necessary corollary of continuous technological change.

For these reasons, Federal agencies need to provide additional training for selected employees

Library

--Whenever it is impossible or impracticable to recruit persons with the needed skills, as when

- the occupation is new. Forest genetics, a research field in which the Forest Service urgently needs staff, is so new and limited a field that men do not ordinarily prepare for it on their own.

- a high degree of specialization is required. Colleges do not offer a complete telephone engineering curriculum. Rural Electrification Administration therefore needs to obtain supplementary training in telephone work for otherwise well qualified electrical engineers.

- unusual combinations of skills or knowledge are necessary. The engineer-geologist-nuclear physicist combination needed for the Snow, Ice and Permafrost Research Establishment of the Corps of Engineers must be developed by giving the engineer selected courses in geology and physics; the geologist, courses in engineering and physics; etc.

--To help keep them abreast of developments in their fields. This need is particularly acute in medical and allied occupations, in scientific research and development, and in other professions.

--To provide supplementary technological skills. Training in operation of complex new equipment such as the electronic brain, and factory-conducted training of aircraft maintenance men, are examples.

--To develop administrative and supervisory skills of technical employees

2. Some of This Training Is Best Done Outside Government

Government, like business, can and does meet most of its training needs through supervisory instruction on the job. To meet certain special needs, however, Government, like business, should turn to other resources:

- In some cases the technical competence and the equipment required to give the training do not exist in Government

- In other cases, agencies cannot afford to divert time of technical employees in shortage occupations from production into teaching

- In still other cases, employees who have the required technical competence may not be good teachers

- The small number of employees to be trained at one time in a single field and their geographic dispersion would make the per capita cost of giving certain training within Government prohibitively high

- The stimulation which comes from interchange of ideas with non-Federal sources is extremely valuable

- Training to increase understanding of problems or conditions in a non-Federal setting is best given where those problems or conditions actually exist, e.g. at a compressor station in the case of a Federal Power Commission engineer, or a state government office in the case of an Agriculture Department employee who advises on problems there.

Government can save time and money and avoid unnecessary duplication of facilities by taking advantage of the skill, knowledge, and experience which other organizations have already developed, often at considerable cost. Among the resources which Federal agencies particularly want to use are

- manufacturers of equipment, e.g.
  - IBM and other electronic equipment
  - aircraft, guided missile controls, air conditioners
- private laboratories doing outstanding scientific research
- institutes and work conferences held by such organizations as
  - American Bankers Association
  - American Management Association
  - The Mellon Institute (for safety training)
- state and local governmental organizations
- technical schools and institutes

3. Agency Program Needs Justify Use of Outside Resources

Agency replies to our recent survey show clearly a need for outside training to improve the quality and efficiency of agency operations and to help recruit, hold, and maintain the technical competence of certain employees.

The kinds of outside training agencies need vary greatly, including

- equipment operation, maintenance, and repair
- other factory-conducted training
- advanced scientific courses
- graduate engineering (aeronautical, marine, hydraulic, safety, etc)
- specialized courses in medical and allied field
- research management, medical administration, comptrollership
- advanced statistics (theory, methods, design, techniques, analysis)
- economics (fiscal and financial marketing, transportation, power supply)
- physics, chemistry, radiobiology
- actual laboratory research
- product design and manufacture

The agencies' own testimony best tells the story of their needs to use outside training facilities:

- "Participation by Federal employees in research and training programs conducted by private companies, e.g. IBM and Remington Rand, would provide the Government with skilled personnel fully capable of performing work which is now done by outsiders on contract. In many instances this would result in an improved end product and in some cases substantial savings to the Government....A rotational exchange of workers among private industry, the universities, and Government would permit a very beneficial exchange of knowledge, skills, and techniques."
  (Census)

- "Inability to provide this training would perpetuate the present level of know-how in this Service and would therefore leave little hope for upping the level of efficiency..."
  (Internal Revenue Service)

- "/We have/backlogs of operations for which the needed staff expertness is lacking; backlogs of operations which might be eliminated by improved methods, inadequate service which might be improved by new techniques; high costs which might be reduced..."
  (Library of Congress)

- "The lack of authority for off-the-job training means that inefficient and longer methods of training have to be used. Generally, the present methods...cost substantially more..."
  (Federal Power Commission)

- "The principal stated reason for resignations of scientific staff is to return to laboratory research in order to retain their research abilities....If these training needs were met, the Foundation would be able to retain...the services of outstanding basic research people for longer periods." (National Science Foundation)

- "An environment of continuous study and educational activities is a vital factor in recruitment of professional and technical personnel. Insufficient pools of adequately trained personnel exist in the U. S. to meet all the needs of the V. A. Medical and scientific progress is so great today that current employees must be continually retrained, and new employees must be assured of continued training opportunities before they will accept employment..." (Veterans Administration)

- "Inability to provide advanced scientific and engineering training for NACA professional employees would definitely reduce the efficiency of NACA research work....It would also increase difficulties in recruiting, since research-minded young scientists and engineers usually want to do advanced study. Turnover would also be increased, since promotions to more difficult work would be slower, and employees leaving for advanced study at their own expense are less likely to return to NACA."
  (National Advisory Committee for Aeronautics)

- "Use of such authority would serve as an incentive for some of our keenest talent, persons who are apt to be wavering on the question whether they should remain in the public service or join the ranks of private industry where the training policy is more liberal. Industry has tuition refund plans and various other methods of keeping their ablest employees abreast of developments in their specialized fields....We could expect an importation of ideas; reduced costs; better relations with industry, other governmental agencies and the general public; more efficiency of operation; an additional incentive in recruitment of junior professionals and junior management people; less stagnation in critical jobs; a stronger career service; and a more favorable management-employee relationship....The present system of keeping pace with advancing technology depends largely on the willingness of the employee to spend his private funds in furthering his knowledge; few can afford this under the present cost of living structure. The agency therefore runs the risk of becoming insulated from current developments, of becoming an agency typified by technological obsolescence....The Appropriations Committee is continually asking questions designed to find out if our technicians are keeping pace with methods in private industry." (General Services Administration)

Additional evidences of agencies' need are available in our files.

4. Agencies Which Can Train Outside Find That It Pays

Here are specific examples of the benefits some agencies have realized

- By sending three office appliance repairmen to a school conducted by a calculating machine manufacturer, TVA was able to discontinue service contracts on calculators, thus saving more than the cost of the training.

- An Air Force physicist responsible for engineering planning of a missile test control system took a course on the use of analog and digital computers. He designed an improved testing technique expected to reduce operating costs several million dollars a year. The cost of the system itself is about 10% less and it was available for use 6 months earlier than would have been possible otherwise, which Air Force estimates saved the Government an additional million dollars.

- The initial workload of a high-priority Air Force project required either factory-trained Air Force employees or 10 additional manufacturer's service representatives. These 10 representatives would have cost the Government $45,000 for a required minimum of three months' service. Air Force sent 25 employees to the factory for training at a cost of about $11,000, thus achieving an immediate saving of $34,000. As the project expanded, these men gave on-the-job training to 41 more employees, at an additional saving of about $23,000.

- The graduate study program of the Air Force helps it hold technical employees, as shown by these comparative turnover rates (FY 1953) of professional, scientific and technical employees at four centers with graduate study programs:

	Turnover Rate	
Centers	Participants	Non-Participants
WADC	7%	6%
RADC	2%	46%
AFFTC	3%	27%
AFCRC	4%	20%

- Army's outside training has improved employee skills; acquainted employees with the latest methods, techniques, and scientific equipment and produced actual dollar savings. For example, an automotive engineer given a course costing $16 worked out with his instructor a means of measuring friction horsepower with equipment available at his installation, thus eliminating the contemplated purchase of new equipment which cost $75,000.

- Veterans Administration states that its outside training opportunities and teaching institution affiliation is the most important single factor in its recruitment of professional, scientific, and technical people.

- A Langley Field employee given acoustical training did the acoustical work on a 16-foot tunnel, which work would otherwise have had to be done under contract. NACA reports that he saved the Government in one year many times his annual salary.

- Follow-up on trainees in an Administrative Development Program of Army indicated that 90% of them were above average in performance and none were below average. Seventy-five percent were considered ready for immediate advancement, in spite of the fact that 78% had received promotions after training. Seventy percent of the supervisors indicate that if they had their choice of many people for administrative jobs, they would choose the trainees in preference to almost any other person in the organization at the same level of development.

- Weather Bureau states that if advanced training in meteorology had not been available, some of its key positions could not have been filled adequately. Progress in weather forecasting would have been much slower. Employees given university assignments not only increased their own abilities and knowledge, but passed on some of their new knowledge to fellow employees and so multiplied the returns....University training authorized in 1938 enabled the Bureau to build a nucleus of trained meteorologists who served as the base upon which the military air wings built their expanded meteorological services in World War II.

- TVA wanted to experiment with use of a helicopter to achieve greater safety, economy, and efficiency in malaria control operations. None of its pilots was qualified to pilot a helicopter and no one qualified in both helicopter operation and application of insecticides by air could be recruited. TVA found it more economical to send one of its experienced malaria control pilots to a school for helicopter pilot training than to recruit a helicopter pilot and train him in malaria control. In addition, it had the benefit of an experienced employee's evaluation of the experiment. He has since trained other TVA pilots in helicopter operation, and helicopters are now used for all malaria control spraying and inspection work.

Additional examples of benefits obtained from outside training are available in our files.

5. Business Trains Outside and Finds It Pays

Many companies refund tuition paid by their employees for courses taken at non-company institutions.

Some give employees paid leave for educational purposes.

Others pay for employee memberships in appropriate professional societies.

Many send employees, with all expenses paid, to training programs conducted by the American Management Association, the American Institute of Banking, other similar organizations, and to universities.

- More than 250 companies have sent 1,200 men to a 13-week management training course at the Harvard Graduate School of Business Administration at a cost of $2,000 or more per man excluding salary. This course alone represents an expenditure by business of almost 2½ million dollars, excluding trainees' salaries. Their average salary is $15,000 a year.

- Westinghouse has a University Relations Department which directs an employee educational program in cooperation with 11 major universities. About 2,700 employees have enrolled in these programs, and about 250 have obtained master's and doctor's degrees.

- The Polytechnic Institute of Brooklyn has 1,081 employees of 117 companies taking undergraduate engineering courses and 1,813 more taking graduate courses. Most employers pay all or part of the tuition. One, in the aircraft industry, pays tuition plus time-and-a-half for the hours his employees spend there.

What returns does business expect? Some companies look for better work or increased production; others, for higher morale, better employee cooperation, greater job satisfaction; others, for improved supervisor-employee relations; some, for a broadening of the trainee's point of view and a deepened appreciation of his responsibilities; others, for preparation of employees to handle more difficult jobs.

Business makes little or no effort to measure objectively how well training meets these expectations. Nevertheless, it seems satisfied that the results justify the costs, since it spends more each year on outside training. Many schools which are training employees for business report that they started the programs in response to demands from businessmen. That such programs meet certain objectives of business is proved by its increasing participation in them.

Additional information about business practice in the training field is available in our files.

6. Other Public Service Groups Train Outside, Too

State and municipal governments increasingly use outside resources to train their employees

- Indicative of this trend is the extensive development of cooperative arrangements between public agencies and universities for the conduct of courses, seminars and institutes for public officials

- Almost every state university and many private educational institutions provide educational services to local government employees, e.g.

    - the program of graduate study in public administration at New York University, financed in part by state funds

    - the annual training conference for law enforcement, protective and correctional personnel offered by the State of California and the University of California.

The Federal Government, itself, recognizes through grants-in-aid to states the value of training for selected employees

- The Vocational Rehabilitation Act makes Federal funds available to state agencies for training state and local employees in vocational rehabilitation, social work and mental health

- Public Health Service makes Federal grants-in-aid to states for the training of professional staff members of state and local health agencies

Canada and Great Britain use outside resources for employee training

- The Civil Service Regulations of Canada permit departments to send employees to universities when the department's work would be made more effective. They provide for leave with pay and for paying employees' tuition and living expenses if indicated.

- Great Britain has long accepted training of public employees at external facilities as an effective method of strengthening the civil service structure. Training at outside institutions is authorized when such training is reasonable and in the interests of a better public service.

There is an evolving pattern of recognition by governments at all levels of the wisdom of utilizing the well-established resources of external facilities, both public and private, to further the development among public employees of skill and of devotion to the interests of public service. This has come about largely as a result of its necessity in effectively implementing assigned programs.

Views of Interested Agencies

We have not requested official agency positions on general training legislation. However, agency responses to our questionnaire survey of their training needs show clearly that most believe outside training authority to be essential.

30 Agencies want authority to train employees outside the Government. They are:

Air Force
Army
Navy
Agriculture
Commerce
Health, Education and Welfare
Interior
State
Treasury
Labor
District Government
Foreign Operations Administration
General Services Administration
U. S. Information Agency
Veterans Administration
Atomic Energy Commission
General Accounting Office
Library of Congress
Tennessee Valley Authority
Civil Aeronautics Board
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Power Commission
National Advisory Committee for Aeronautics
National Science Foundation
Panama Canal
Railroad Retirement Board
Security and Exchange Commission
Tax Court
U. S. Civil Service Commission

Some of these agencies already have fairly broad outside training authority. Some have limited authority they would like broadened. Others lack agency-wide authority but contain units with limited authority. Others have no authority to obtain outside training for employees.

These agencies summarize their views in statements like these:

- "We strongly favor the proposal and urge that the Commission take the necessary steps to get the training legislation into the President's program for next year." (General Services Administration)

- "This Bureau has for some time maintained a strong position that legislation authorizing training is needed and would do much to improve the quality of the technical staff." (National Bureau of Standards, Commerce)

- "The Department of the Navy is strongly in favor of such legislation. For the past three years, authority to train civilian employees of the Navy in outside agencies has been provided for in the Department of Defense Appropriation Acts. Inclusion of such a provision in Appropriation Acts, however, does not permit the planning of training programs on a long range basis since there is no assurance that such a provision will be included in future appropriation acts. Therefore, training legislation which gives basic and permanent authorization to the training of civilian employees by outside agents or agencies is considered to be highly desirable and necessary...." (Navy Department)

- "Based on our experience during the past eight years, we strongly endorse such specialized training when it can be provided by established educational institutions more economically and more effectively than by the Department's training facilities." (State)

Air Force adds this caution: "...Training of civilian personnel in external facilities is essential to the mission of the United States Air Force...It is requested therefore that the Civil Service Commission, in its legislative proposals in this area, give full consideration to the unique requirement of the military department in this area so that the authority contained in the DOD Appropriations Act is not constrained or reduced."

10 agencies report no need for outside training authority. They believe that such training needs as they have can be met within the Federal service. They are:

Justice
Budget Bureau
Government Printing Office
Farm Credit Administration
Federal Trade Commission
Federal Mediation & Conciliation Service
Interstate Commerce Commission
National Labor Relations Board
Smithsonian Institution
Tariff Commission

The Department of Justice Added to its report a statement that it would not object to permissive legislation generally applicable throughout Government.

1 agency, Post Office, has not taken a specific stand although it agrees in principle, that such legislation may be desirable.

This department sought and obtained authority through its 1954 appropriation act to send its employees outside for training.

5 agencies did not reply to our survey questionnaire.

Agency views on desirable safeguards vary greatly

-- All agree that

- training must be justifiable in terms of program needs
- careful selection of trainees is essential

-- Most agree that

- trainees should remain in Government a reasonable time after training or reimburse at least part of the training cost
- the amount of training (in man-years) should be limited
- agencies should determine the trainees' course of study

-- A few agencies suggested additional safeguards, such as

- review of training plans by the Commission
- restrictions on types of training or categories of employees eligible for training
- central approval of training institutions

-- Several believe that no special legislative safeguards are needed.

- "We believe that controls on utilization of outside training should be kept to a minimum since unnecessary controls would tend to vitiate the entire program. In our opinion, periodic inspection of training programs by the Civil Service Commission, together with an annual report to the Civil Service Commission by agencies, setting forth the type of training program being utilized and reporting, among other things, the length of retention of employees after training would suffice to adequately safeguard the government's interest."
(Railroad Retirement Board)

- "No safeguards are recommended. The cost of training is part of the risk of doing business. Every day the Government is losing good people because it fails to offer them the proper developmental opportunities. These losses are not recoverable; in fact, one such loss tends to spawn other losses until some management move changes the climate and regains the faith and confidence of the workers. The best safeguard is an aggressive policy in the use of the proposed training authority; equitable selection of persons to receive training; and effective utilization of the services of those who successfully complete such training." (General Services Administration)

#####

The Gerald R. Ford

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 16
January 11, 1955

The White House
Washington

THE CABINET

Consolidation and Extension of Training Authority for Federal Employees

The attached approved paper is being circulated for action by the Adviser on Personnel Management and the Civil Service Commission, and for the information of other Cabinet Members.

The Cabinet and the President approved this paper at the Cabinet Meeting of January 7, 1955, (Cabinet RA - 8 January 10, 1955, Item 6).

The proposals in this paper form the basis for the reference to employee training made in the President's Special Message of this date to the Congress on personnel legislation.

(The strengthening of the Administration's program for in-service training, requiring Executive Branch action only, is being initiated this week. This program is separate from but related to the proposals in the attached paper.)

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

SUMMARY

There is no government-wide authority to train employees outside Government's own facilities

17 agencies, or parts of agencies, have special authority to obtain training for selected employees in or by non-Federal facilities.

- This authority is granted by 19 separate laws 5 of which are appropriation acts
- In some cases the authority is broad and unrestricted; in others it is extremely limited
- The controls and safeguards vary greatly

Other agencies which urgently need it have no authority to obtain outside training for their employees

Additional agencies are requesting special legislation

General training bills have been considered, but not passed, for years

- CSC has supported these bills
- Last year the Commission endorsed general legislation in principle, pending a study of need.

Our study shows that

- Agency program needs justify outside training
- Those which can do it find that it pays.

We recommend that CSC sponsor general training legislation

The purpose of the proposed legislation is to make available to all Federal agencies the best and most appropriate resources for training required to meet their program needs.

The training resources of Government itself are already available to agencies. The proposed legislation therefore deals with training outside of the employee's own agency.

The proposed legislation will provide that the President may authorize agencies to send selected employees to outside facilities for training.

It is proposed that the President simultaneously delegate to

- Civil Service Commission, the authority to issue government-wide regulation for administration of the Act
- agencies, the authority to send employees to "outside" facilities for training.

The Commission's regulations will provide for

- agency approval of training at top levels
- careful agency consideration of such factors as the availability and utilization of people already trained, and the probable contribution of the proposed training to the agency's work
- CSC controls on amount of training, and CSC limitations on the training of temporary employees
- Periodic reports by agencies to the Commission
- CSC inspection of agencies' use of the proposed new authority

Agencies will be able to determine

- what kinds of "outside" training will be obtained, and for which employees

- how much of the training costs they will pay, and the methods of payment to be used

* * * * * * * * * * * * * *

We have reviewed the practices of industry and of other public jurisdictions, and we have made a special survey of the training needs of Federal agencies. The results show that

1. Training of employees after appointment is often required

2. Some of this training is best done by outside resources

3. Agency program needs justify use of outside training

4. Agencies which can train outside find that it pays

5. Business trains outside and finds that it pays

6. Other public service groups do, too

Each of these points is discussed in more detail in the pages which follow.

1. Training After Appointment is Often Required

Employees must, of course, prepare themselves to meet normal employment requirements. These requirements, however, are usually for broad categories of positions rather than for specific jobs. Some jobs are now so specialized that people adequately trained in all the required skills are not produced by standard educational programs. In such cases, employees' basic skills must be supplemented by special training.

The content of many occupations is changing rapidly. Neither medicine nor engineering nor accounting remains the same. Employees require training to maintain the level of competence they had when appointed.

Modern methods are constantly changing. An employee who is able to do his job perfectly well today may find work methods so changed tomorrow that he requires training in the new methods. Continuous job training is a necessary corollary of continuous technological change.

For these reasons, Federal agencies need to provide additional training for selected employees

--Whenever it is impossible or impracticable to recruit persons with the needed skills, as when

- the occupation is new. Forest genetics, a research field in which the Forest Service urgently needs staff, is so new and limited a field that men do not ordinarily prepare for it on their own.

- a high degree of specialization is required. Colleges do not offer a complete telephone engineering curriculum. Rural Electrification Administration therefore needs to obtain supplementary training in telephone work for otherwise well qualified electrical engineers.

- unusual combinations of skills or knowledge are necessary. The engineer-geologist-nuclear physicist combination needed for the Snow, Ice and Permafrost Research Establishment of the Corps of Engineers must be developed by giving the engineer selected courses in geology and physics; the geologist, courses in engineering and physics; etc.

--To help keep them abreast of developments in their fields. This need is particularly acute in medical and allied occupations, in scientific research and development, and in other professions.

--To provide supplementary technological skills. Training in operation of complex new equipment such as the electronic brain, and factory-conducted training of aircraft maintenance men, are examples.

--To develop administrative and supervisory skills of technical employees

2. Some of This Training Is Best Done Outside Government

Government, like business, can and does meet most of its training needs through supervisory instruction on the job. To meet certain special needs, however, Government, like business, should turn to other resources:

- In some cases the technical competence and the equipment required to give the training do not exist in Government

- In other cases, agencies cannot afford to divert time of technical employees in shortage occupations from production into teaching

- In still other cases, employees who have the required technical competence may not be good teachers.

- The small number of employees to be trained at one time in a single field and their geographic dispersion would make the per capita cost of giving certain training within Government prohibitively high

- The stimulation which comes from interchange of ideas with non-Federal sources is extremely valuable

- Training to increase understanding of problems or conditions in a non-Federal setting is best given where those problems or conditions actually exist, e.g. at a compressor station in the case of a Federal Power Commission engineer, or a state government office in the case of an Agriculture Department employee who advises on problems there.

Government can save time and money and avoid unnecessary duplication of facilities by taking advantage of the skill, knowledge, and experience which other organizations have already developed, often at considerable cost. Among the resources which Federal agencies particularly want to use are

- manufacturers of equipment, e.g.
  - IBM and other electronic equipment
  - aircraft, guided missile controls, air conditioners
- private laboratories doing outstanding scientific research
- institutes and work conferences held by such organizations as
  - American Bankers Association
  - American Management Association
  - The Mellon Institute (for safety training)
- state and local governmental organizations
- technical schools and institutes

3. Agency Program Needs Justify Use of Outside Resources

Agency replies to our recent survey show clearly a need for outside training to improve the quality and efficiency of agency operations and to help recruit, hold, and maintain the technical competence of certain employees.

The kinds of outside training agencies need vary greatly, including

- equipment operation, maintenance, and repair
- other factory-conducted training
- advanced scientific courses
- graduate engineering (aeronautical, marine, hydraulic, safety, etc)
- specialized courses in medical and allied field
- research management, medical administration, comptrollership
- advanced statistics (theory, methods, design, techniques, analysis)
- economics (fiscal and financial marketing, transportation, power supply)
- physics, chemistry, radiobiology
- actual laboratory research
- product design and manufacture

The agencies' own testimony best tells the story of their needs to use outside training facilities:

- "Participation by Federal employees in research and training programs conducted by private companies, e.g. IBM and Remington Rand, would provide the Government with skilled personnel fully capable of performing work which is now done by outsiders on contract. In many instances this would result in an improved end product and in some cases substantial savings to the Government....A rotational exchange of workers among private industry, the universities, and Government would permit a very beneficial exchange of knowledge, skills, and techniques." (Census)

- "Inability to provide this training would perpetuate the present level of know-how in this Service and would therefore leave little hope for upping the level of efficiency..." (Internal Revenue Service)

- "[We have]backlogs of operations for which the needed staff expertness is lacking; backlogs of operations which might be eliminated by improved methods, inadequate service which might be improved by new techniques; high costs which might be reduced..." (Library of Congress)

- "The lack of authority for off-the-job training means that inefficient and longer methods of training have to be used. Generally, the present methods...cost substantially more..." (Federal Power Commission)

- "The principal stated reason for resignations of scientific staff is to return to laboratory research in order to retain their research abilities....If these training needs were met, the Foundation would be able to retain...the services of outstanding basic research people for longer periods." (National Science Foundation)

- "An environment of continuous study and educational activities is a vital factor in recruitment of professional and technical personnel. Insufficient pools of adequately trained personnel exist in the U. S. to meet all the needs of the V. A. Medical and scientific progress is so great today that current employees must be continually retrained, and new employees must be assured of continued training opportunities before they will accept employment..." (Veterans Administration)

- "Inability to provide advanced scientific and engineering training for NACA professional employees would definitely reduce the efficiency of NACA research work....It would also increase difficulties in recruiting, since research-minded young scientists and engineers usually want to do advanced study. Turnover would also be increased, since promotions to more difficult work would be slower, and employees leaving for advanced study at their own expense are less likely to return to NACA." (National Advisory Committee for Aeronautics)

- "Use of such authority would serve as an incentive for some of our keenest talent, persons who are apt to be wavering on the question whether they should remain in the public service or join the ranks of private industry where the training policy is more liberal. Industry has tuition refund plans and various other methods of keeping their ablest employees abreast of developments in their specialized fields....We could expect an importation of ideas; reduced costs; better relations with industry, other governmental agencies and the general public; more efficiency of operation; an additional incentive in recruitment of junior professionals and junior management people; less stagnation in critical jobs; a stronger career service; and a more favorable management-employee relationship....The present system of keeping pace with advancing technology depends largely on the willingness of the employee to spend his private funds in furthering his knowledge; few can afford this under the present cost of living structure. The agency therefore runs the risk of becoming insulated from current developments, of becoming an agency typified by technological obsolescence....The Appropriations Committee is continually asking questions designed to find out if our technicians are keeping pace with methods in private industry." (General Services Administration)

Additional evidences of agencies' need are available in our files.

4. Agencies Which Can Train Outside Find That It Pays

Here are specific examples of the benefits some agencies have realized

- By sending three office appliance repairmen to a school conducted by a calculating machine manufacturer, TVA was able to discontinue service contracts on calculators, thus saving more than the cost of the training.

- An Air Force physicist responsible for engineering planning of a missile test control system took a course on the use of analog and digital computers. He designed an improved testing technique expected to reduce operating costs several million dollars a year. The cost of the system itself is about 10% less and it was available for use 6 months earlier than would have been possible otherwise, which Air Force estimates saved the Government an additional million dollars.

- The initial workload of a high-priority Air Force project required either factory-trained Air Force employees or 10 additional manufacturer's service representatives. These 10 representatives would have cost the Government $45,000 for a required minimum of three months' service. Air Force sent 25 employees to the factory for training at a cost of about $11,000, thus achieving an immediate saving of $34,000. As the project expanded, these men gave on-the-job training to 41 more employees, at an additional saving of about $23,000.

- The graduate study program of the Air Force helps it hold technical employees, as shown by these comparative turnover rates (FY 1953) of professional, scientific and technical employees at four centers with graduate study programs:

	Turnover Rate	
Centers	Participants	Non-Participants
WADC	7%	6%
RADC	2%	46%
AFFTC	3%	27%
AFCRC	4%	20%

- Army's outside training has improved employee skills; acquainted employees with the latest methods, techniques, and scientific equipment and produced actual dollar savings. For example, an automotive engineer given a course costing $16 worked out with his instructor a means of measuring friction horsepower with equipment available at his installation, thus eliminating the contemplated purchase of new equipment which cost $75,000.

- Veterans Administration states that its outside training opportunities and teaching institution affiliation is the most important single factor in its recruitment of professional, scientific, and technical people.

- A Langley Field employee given acoustical training did the acoustical work on a 16-foot tunnel, which work would otherwise have had to be done under contract. NACA reports that he saved the Government in one year many times his annual salary.

- Follow-up on trainees in an Administrative Development Program of Army indicated that 90% of them were above average in performance and none were below average. Seventy-five percent were considered ready for immediate advancement, in spite of the fact that 78% had received promotions after training. Seventy percent of the supervisors indicated that if they had their choice of many people for administrative jobs, they would choose the trainees in preference to almost any other person in the organization at the same level of development.

- Weather Bureau states that if advanced training in meteorology had not been available, some of its key positions could not have been filled adequately. Progress in weather forecasting would have been much slower. Employees given university assignments not only increased their own abilities and knowledge, but passed on some of their new knowledge to fellow employees and so multiplied the returns....University training authorized in 1938 enabled the Bureau to build a nucleus of trained meteorologists who served as the base upon which the military air wings built their expanded meteorological services in World War II.

- TVA wanted to experiment with use of a helicopter to achieve greater safety, economy, and efficiency in malaria control operations. None of its pilots was qualified to pilot a helicopter and no one qualified in both helicopter operation and application of insecticides by air could be recruited. TVA found it more economical to send one of its experienced malaria control pilots to a school for helicopter pilot training than to recruit a helicopter pilot and train him in malaria control. In addition, it had the benefit of an experienced employee's evaluation of the experiment. He has since trained other TVA pilots in helicopter operation, and helicopters are now used for all malaria control spraying and inspection work.

Additional examples of benefits obtained from outside training are available in our files.

5. Business Trains Outside and Finds It Pays

Many companies refund tuition paid by their employees for courses taken at non-company institutions.

Some give employees paid leave for educational purposes.

Others pay for employee memberships in appropriate professional societies.

Many send employees, with all expenses paid, to training programs conducted by the American Management Association, the American Institute of Banking, other similar organizations, and to universities.

- More than 250 companies have sent 1,200 men to a 13-week management training course at the Harvard Graduate School of Business Administration at a cost of $2,000 or more per man excluding salary. This course alone represents an expenditure by business of almost 2½ million dollars, excluding trainees' salaries. Their average salary is $15,000 a year.

- Westinghouse has a University Relations Department which directs an employee educational program in cooperation with 11 major universities. About 2,700 employees have enrolled in these programs, and about 250 have obtained master's and doctor's degrees.

- The Polytechnic Institute of Brooklyn has 1,081 employees of 117 companies taking undergraduate engineering courses and 1,813 more taking graduate courses. Most employers pay all or part of the tuition. One, in the aircraft industry, pays tuition plus time-and-a-half for the hours his employees spend there.

What returns does business expect? Some companies look for better work or increased production; others, for higher morale, better employee cooperation, greater job satisfaction; others, for improved supervisor-employee relations; some, for a broadening of the trainee's point of view and a deepened appreciation of his responsibilities; others, for preparation of employees to handle more difficult jobs.

Business makes little or no effort to measure objectively how well training meets these expectations. Nevertheless, it seems satisfied that the results justify the costs, since it spends more each year on outside training. Many schools which are training employees for business report that they started the programs in response to demands from businessmen. That such programs meet certain objectives of business is proved by its increasing participation in them.

Additional information about business practice in the training field is available in our files.

6. Other Public Service Groups Train Outside, Too

State and municipal governments increasingly use outside resources to train their employees

- Indicative of this trend is the extensive development of cooperative arrangements between public agencies and universities for the conduct of courses, seminars and institutes for public officials
- Almost every state university and many private educational institutions provide educational services to local government employees, e.g.
    - the program of graduate study in public administration at New York University, financed in part by state funds
    - the annual training conference for law enforcement, protective and correctional personnel offered by the State of California and the University of California.

The Federal Government, itself, recognizes through grants-in-aid to states the value of training for selected employees

- The Vocational Rehabilitation Act makes Federal funds available to state agencies for training state and local employees in vocational rehabilitation, social work and mental health
- Public Health Service makes Federal grants-in-aid to states for the training of professional staff members of state and local health agencies

Canada and Great Britain use outside resources for employee training

- The Civil Service Regulations of Canada permit departments to send employees to universities when the department's work would be made more effective. They provide for leave with pay and for paying employees' tuition and living expenses if indicated.
- Great Britain has long accepted training of public employees at external facilities as an effective method of strengthening the civil service structure. Training at outside institutions is authorized when such training is reasonable and in the interests of a better public service.

There is an evolving pattern of recognition by governments at all levels of the wisdom of utilizing the well-established resources of external facilities, both public and private, to further the development among public employees of skill and of devotion to the interests of public service. This has come about largely as a result of its necessity in effectively implementing assigned programs.

Views of Interested Agencies

We have not requested official agency positions on general training legislation. However, agency responses to our questionnaire survey of their training needs show clearly that most believe outside training authority to be essential.

30 Agencies want authority to train employees outside the Government. They are:

Air Force
Army
Navy
Agriculture
Commerce
Health, Education and Welfare
Interior
State
Treasury
Labor
District Government
Foreign Operations Administration
General Services Administration
U. S. Information Agency
Veterans Administration
Atomic Energy Commission
General Accounting Office
Library of Congress
Tennessee Valley Authority
Civil Aeronautics Board
Federal Communications Commission
Federal Deposit Insurance Corporation
Federal Power Commission
National Advisory Committee for Aeronautics
National Science Foundation
Panama Canal
Railroad Retirement Board
Security and Exchange Commission
Tax Court
U. S. Civil Service Commission

Some of these agencies already have fairly broad outside training authority. Some have limited authority they would like broadened. Others lack agency-wide authority but contain units with limited authority. Others have no authority to obtain outside training for employees.

These agencies summarize their views in statements like these:

- "We strongly favor the proposal and urge that the Commission take the necessary steps to get the training legislation into the President's program for next year."
(General Services Administration)

- "This Bureau has for some time maintained a strong position that legislation authorizing training is needed and would do much to improve the quality of the technical staff."
(National Bureau of Standards, Commerce)

- "The Department of the Navy is strongly in favor of such legislation. For the past three years, authority to train civilian employees of the Navy in outside agencies has been provided for in the Department of Defense Appropriation Acts. Inclusion of such a provision in Appropriation Acts, however, does not permit the planning of training programs on a long range basis since there is no assurance that such a provision will be included in future appropriation acts. Therefore, training legislation which gives basic and permanent authorization to the training of civilian employees by outside agents or agencies is considered to be highly desirable and necessary...."
(Navy Department)

- "Based on our experience during the past eight years, we strongly endorse such specialized training when it can be provided by established educational institutions more economically and more effectively than by the Department's training facilities."
(State)

Air Force adds this caution: "...Training of civilian personnel in external facilities is essential to the mission of the United States Air Force...It is requested therefore that the Civil Service Commission, in its legislative proposals in this area, give full consideration to the unique requirement of the military department in this area so that the authority contained in the DOD Appropriations Act is not constrained or reduced."

10 agencies report no need for outside training authority. They believe that such training needs as they have can be met within the Federal service. They are:

Justice
Budget Bureau
Government Printing Office
Farm Credit Administration
Federal Trade Commission
Federal Mediation & Conciliation Service
Interstate Commerce Commission
National Labor Relations Board
Smithsonian Institution
Tariff Commission

The Department of Justice Added to its report a statement that it would not object to permissive legislation generally applicable throughout Government.

1 agency, Post Office, has not taken a specific stand although it agrees in principle, that such legislation may be desirable.

This department sought and obtained authority through its 1954 appropriation act to send its employees outside for training.

5 agencies did not reply to our survey questionnaire.

Agency views on desirable safeguards vary greatly

-- All agree that

- training must be justifiable in terms of program needs
- careful selection of trainees is essential

-- Most agree that

- trainees should remain in Government a reasonable time after training or reimburse at least part of the training cost
- the amount of training (in man-years) should be limited
- agencies should determine the trainees' course of study

-- A few agencies suggested additional safeguards, such as

- review of training plans by the Commission
- restrictions on types of training or categories of employees eligible for training
- central approval of training institutions

-- Several believe that no special legislative safeguards are needed.

- "We believe that controls on utilization of outside training should be kept to a minimum since unnecessary controls would tend to vitiate the entire program. In our opinion, periodic inspection of training programs by the Civil Service Commission, together with an annual report to the Civil Service Commission by agencies, setting forth the type of training program being utilized and reporting, among other things, the length of retention of employees after training would suffice to adequately safeguard the government's interest."
(Railroad Retirement Board)

- "No safeguards are recommended. The cost of training is part of the risk of doing business. Every day the Government is losing good people because it fails to offer them the proper developmental opportunities. These losses are not recoverable; in fact, one such loss tends to spawn other losses until some management move changes the climate and regains the faith and confidence of the workers. The best safeguard is an aggressive policy in the use of the proposed training authority; equitable selection of persons to receive training; and effective utilization of the services of those who successfully complete such training." (General Services Administration)

#####

CI - 10
January 5, 1955

The White House

Washington

THE CABINET

Surplus Farm Commodity Distribution to Needy Families

For information of Cabinet Members, attached is a paper prepared by the Department of Agriculture giving background facts and statistics on the current distribution of surplus farm commodities to needy families in the United States.

Attention is directed to the statements indicating the growth of this distribution program, and to the table of current and anticipated additional distribution by States and counties.

Cabinet Members are respectfully requested to have this background paper at hand during the Cabinet discussion of this subject which will be introduced by the Under Secretary of Agriculture.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
FOR INFORMATION

Surplus Farm Commodity Distribution to Needy Families

Total number of persons certified for commodities -- 2,482,706 in 33 States and Alaska, as of December 13, 1954. Assuming 4 persons to a family (national average 3.5) this represents 620,676 families. Of this total, roughly one-fourth are regular, hard-core relief families, i.e. Aid for the Aged, Aid to Dependent Children, etc. The balance is receiving no other form of public assistance and consists largely of unemployed miners, railroad employees, and drought victims. (Preliminary caseload figure as of December 31st is 2,620,302).

Trend -- At this time last year there were fewer than 100,000 needy persons in families receiving surplus commodities. By July 1 the figure had jumped to a little over 1 million. Although the basic impetus has been drought and spot unemployment, as states have set up the necessary machinery to distribute commodities to these groups, they have tended to also extend the distribution to public assistance recipients. Consequently, as a number of surplus commodities remain available, participation by more states and a larger percentage of public assistance recipients may be expected. The total over-all figure may reach 3 million by the end of fiscal year 1955.

Quantities and Cost -- Comodities being distributed this year are nonfat dried milk, butter, cheese, shortening (from cottonseed oil) and dried beans. (Several Congressmen have requested wheat and corn to be milled at state expense. These requests are now under consideration.) If all those currently certified receive all commodities at our suggested rate of distribution, total distribution would equal about 13.4 million pounds of surplus commodities a month to these needy families, at a monthly cost, for the commodity, packaging and transportation, of $4.9 million.

Administration -- Commodities are delivered free of cost in carload quantities to States at their designated delivery points. The Department has agreements with State Agencies under which they take title to the commodities and are responsible for determining the eligibility of the needy persons and making all distribution within the State. Since the Department is not a welfare agency, and since relief laws and customs vary by States, our requirements are rather broad, with a maximum of discretion permitted the States for setting eligibility standards. We require only that good care be taken of the commodities, only economically needy people be certified, and that relief grants not be decreased as a result of donated foods. Under the law, surplus commodities must be used in addition to total normal purchases. State standards vary from certification by trained case workers and monthly recertification as is the case in Mississippi to a determination of need by the county commissioners with no trained personnel and no guides except maximum income as is the case in Pennsylvania. Interpretations of economic need vary from the County Judges in Texas who refuse to certify any family with an employable member to Pennsylvania where the State has set a maximum income limitation of $130 a month for a single person and up to $450 for a family of nine.

Other Distribution -- In addition to needy families, USDA is currently donating commodities to schools of high school grade or under for use in school lunch programs, charitable institutions, and to U. S. Private Welfare Agencies for distribution to needy persons overseas under Title III, Public Law 480.

Historically, commodities were first distributed in 1933 under Federal Farm and Emergency Relief legislation and later under the Agricultural Adjustment Act. With the enactment of Section 32 of the Act of August 24, 1935, distribution of commodities was begun under that authority and has continued through the present. The persons served through this program reached a peak of 12,900,000 during the year of 1939. Later this dwindled as employment increased during the war years to 72,000 in the year 1945. Since that time, the total has varied from year to year, through last year, at around this same level. Beginning in January 1954, with two counties in Pennsylvania, the increase in welfare distribution, particularly to unemployed miners, quickly spread to West Virginia and Kentucky. By February the figure had reached close to one-half million.

12-15-54

WELFARE DISTRIBUTION

STATE	ACTIVE		ADDITIONAL ANTICIPATED		REMARKS
	NO. COUNTIES	NO. PERSONS	NO. COUNTIES	NO. PERSONS:	
Alabama	19	252,611	-	17,389	Public Assistance & Other 2
Alaska	4 3/	25,000	-	-	Other 2/
Arkansas	4	2,019	46	52,655	Other 2/
California	19	33,296		9,687	Pub. Assist., Indians & Oth
Colorado	4	7,436	1	2,999	Public Assistance 2
Connecticut	5 1/	1,615		385	Public Assistance
Illinois	1	18,124	7	3,076	Other 2/
Indiana	43	14,494	-	-	Public Assistance
Iowa	31	68,575	22	7,425	Public Assistance
Kentucky	39	205,642	-	-	Public Assistance & Other 2/
Maine	16	20,028	-	-	Public Assistance
Maryland	1	9,614	-	-	Public Assistance
Massachusetts	10 1/	12,150	-	-	Public Assistance
Michigan	13	109,378	18 /4	118,808	Public Assistance & Indians
Minnesota	1	2,769	-	-	Public Assistance & Indians
Mississippi	42	301,343	8	-	Pub. Assist., Indians & Othe 2/
Nevada	1	258	-	-	Public Assistance
New Hampshire	10	6,600	-	3,288	Public Assistance
New Jersey	7 1/	6,623	1/	-	Public Assistance
New Mexico	8	11,189	-	11,914	Public Assistance & Other 2/
North Carolina	4	11,989	-	-	Other 2/
North Dakota	5	5,410	-	-	Public Assistance & Indians
Ohio	14	34,757	1	10,300	Public Assistance
Oklahoma	41	89,005	14	-	Public Assistance & Indians
Pennsylvania	45	891,216	15	223,100	Public Assistance & Other 2/
Rhode Island	14 1/	11,806	-	-	Public Assistance & Other 2/
South Dakota	4	15,778	-	-	Public Assistance & Indians
Tennessee	8	10,104	-	-	Public Assistance & Other 2/
Texas	15	9,311	18	8,389	Other 2/
Utah	29	28,588	-	-	Pub. Assist., Indians & Othe 2/
Virginia	10	66,739	-	-	Public Assistance & Other 2/
West Virginia	29	213,184	-	39,473	Public Assistance & Other 2/
Wisconsin	3	5,241	-	-	Public Assistance
Wyoming	3	3,314	-	11,886	Other 2/
	478 36 1/	2,482,706	150 1 1/	503,885	

1/ Cities and Towns.
2/ Persons receiving no other form of public assistance.
3/ Areas.
4/ To be revised.

Prepared FD-DD-AMS - December 13, 1954

FAMILY DISTRIBUTION PROGRAM

Total Certified Caseload	2,482,706
Total Certified Families (4 persons)	620,676

Approximate quantities of commodities which could be utilized monthly assuming distribution to 100% of certified caseload in accordance with guides established by the Department.

	Million Pounds
Butter	3.1
Cheese	3.1
Nonfat Dry Milk Solids	2.8
Shortening	1.9
Beans	2.5

Average cost per pound of commodity delivered to central distribution points in States.

	Commodity	Packaging	Transportation	Total Cost
Butter	$ .6520	$ .0132	$ .015	$ .6802
Cheese	.4000	.0265	.015	.4415
Milk	.1803	.0337	.01	.2240
Shortening	.1928	.0524	.01	.2552
Beans	.097	---	.01	.107

Approximate monthly cost to the Department of donated commodities assuming delivery of packaged commodities to central distribution points in the State and subsequent distribution to 100% of the certified caseload.

Butter	$2,108,620
Cheese	1,368,650
Nonfat Dry Milk	627,200
Shortening	484,880
Beans	267,500
TOTAL	$4,856,850

UNITED STATES DEPARTMENT OF AGRICULTURE
Agricultural Marketing Service

FAMILY DISTRIBUTION GUIDES FOR SECTION 32 COMMODITIES
(in units per month except as noted)

Commodity	Unit	Persons									
		1	2	3	4	5	6	7	8	9	10
		Number of Units									
Butter	Pound	2	3	4	5	7	8	9	10	12	13
Cheese	5# Loaf a/	¼	½	½	1	1	1	1½	1½	1½	2
Nonfat Dry Milk	4½# Can	1 b/	1 c/	1 c/	1	1	2	2	2	2	2
Shortening	3# Can	1 b/	1 c/	1	1	1	2	2	2	2	3
Beans	Pound	1	2	3	4	5	6	7	8	9	10

a/ To be cut as necessary.
b/ Three-month supply.
c/ Two-month supply.

NOTE: These guides are to assist distributing agencies in establishing rates of distribution. Agencies may adjust them to fit the situation in the community taking into consideration local food consumption habits or subsequent experience in the distribution of these commodities.

Agriculture-Washington

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CA - 9
January 12, 1955

The White House

Washington

THE CABINET

Cabinet Agenda

Friday, January 14, 1955

9:00 AM

1.	Cooperation of Cabinet Members in Promoting the National Reserve Plan	(Oral)	The President
2.	Proposed Functions of the Sub-Cabinet	CP - 17	The President
3.	Review of the 1956 Budget Message	(Oral)	The Director, Bureau of the Budget
4.	Highlights of the Economic Report	(Oral)	The Chairman, Council of Economic Advisers
5.	Legislative Proposals on Education	(Oral)	The Secretary of Health, Education and Welfare
6.	Defense Production Act Amendments of 1955	CP - 18	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

January 14, 1955
9:00 A. M. - 12:15 P. M.

The following were present:

The President

Vice President Nixon
Mr. Herman Phleger
(for Sec. Dulles)
Sec. Humphrey
Deputy Sec. Robert Anderson
(for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes, and
Deputy Director Brundage
Deputy Director D.A.Fitzgerald
(for Gov. Stassen)
Dr. Flemming
Chairman Young
Dr. Arthur Burns

Mr. Charles Kendall, ODM, in part
Dr. Walter Stewart, CEA, in part
Dr. Neil Jacoby, CEA, in part

Mr. Roswell Perkins, HEW, in part
Dr. Samuel Brownell, HEW, in part
Mr. Bradshaw Mintener, in part
Mr. Cushman McGee, NY, in part

Gov. Adams
Mr. Hagerty, in part
Mr. Murray Snyder, in part
Gen. Cutler
Dr. Hauge
Mr. Rockefeller
Mr. Martin
Mr. McCann
Mr. Rabb
Mr. Minnich

National Reserve Plan - The President reported the feeling of the Legislative Leaders that the National Reserve Program needed and deserved the broad support of Cabinet members in their public statements.

Sub-Cabinet (CP-17) - The President recalled the successful Sub-Cabinet meetings last year and he expressed his feeling that it would be wise to revive them, particularly because of the contribution they could make to coordination of matters which were not suited to immediate presentation to Cabinet. He believed also that the Sub-Cabinet could contribute heavily to a successful follow-up of Administration decisions. Gov. Adams felt the Sub-Cabinet could profitably examine certain aspects of established policies -- as, for example, various aspects of the Employee Security Program. The President agreed and commented on his horror of situations where orders are issued but never get carried out.

Education Proposals - Mrs. Hobby introduced this subject with a statement that Congress probably would not await the work of the White House Education Conference but would act on one of the many bills now in Congress for direct grants to the states. She described the proposals to be presented as stimulating school construction in the states, without causing debt limits to be exceeded and without impairing state responsibilities.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

With the aid of some two dozen charts, Dr. Brownell reviewed educational needs, obstacles to programs, and state activities. He then set forth the HEW proposals for:

(a) Federal matching grants for administrative costs of state action programs to remove obstacles, at an estimated Federal cost of $5 million the first year, with the program to expire in three years;

(b) Federal support for state School Building Authorities through advances to reserve funds which would allow the issuance by State Authorities of some $4 billion of bonds for school construction. The immediate cost of $100 million for this 3-year program would eventually be repaid with interest;

(c) Federal-State purchase of local school bonds which cannot be marketed for good reason at or near the going rate of interest. Due precautions would be taken. $25 million would be involved over the 3-year period.

In the ensuing discussion, Sec. Weeks ascertained that the long-range cost would total only $15 million. Sec. Benson inquired about the method of determining whether schools were satisfactory or substandard. Dr.Brownell stated that determinations were made by the states on the basis of standards agreed upon by state educational officials and the Federal Office of Education, and that there was general conformity among the states. Sec. Weeks noted variations in state limits on the term of bonds, and Dr. Brownell said that state regulations would be the determining factor.

The Vice President noted the perennial attempt to direct Federal activities toward only those states having underdeveloped economies, and he questioned the relationship of this program to them. Mrs. Hobby stated that the inducements of the program were sufficient to encourage even those states lagging behind, but that the funds would be available on a first-come-first-served basis. Mr. McGee cited the great progress made by Georgia following establishment of its School Building Authority.

Sec. Benson was interested in whether local citizens would lose control of specifications for school construction. Dr. Brownell indicated that the power to set specifications would depend on the states but that much local participation could be expected. Mr. Benson then ascertained that the funds available for action programs to remove obstacles would be available to the customary state officials but not to the School Building Authorities.

The President then turned the discussion to the impact of this program in Congress and the question of whether the opposition would insist on going further. Dr. Brownell and Mrs. Hobby were not too optimistic in view of the fact that the Hill Bill, providing $500 million in direct grants over a 2-year period, already bears the signature of 30 Senators. The Vice President later pointed out that the Hill Bill provided only one-fourth of the construction possible under the HEW proposal.

Sec. Humphrey made clear his recognition of school construction needs but expressed considerable concern over the details of financing this proposal. He cited such objections as the following: (1) This proposal bypasses debt limits which local people have voluntarily imposed upon themselves; (2) it

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHe NLE, Date 8-5-76

means ultimate Federal responsibility for $2 billion worth of bonds; (3) it assists in creating competition against the Federal Government for the securities market. He believed Authorities were valid when they had assets providing income for retirement of bonds, but that school construction did not fit into such a picture. He noted in passing that the Highway proposal was deviating from that principle by its dependence in part on taxes rather than tolls. He requested time for Treasury to study the implications of the financing details.

The President agreed that Treasury had a right to examine the proposal closely but he went on to state that his major concern was that this proposal did not go far enough, his belief that to neglect education is just as bad as to neglect military security, and his favor for a proposal such as this which does not eliminate state responsibility. Mrs. Hobby and Mr. Flemming commented on the urgent need for school construction. The Vice President stressed the moderate progressive character of this proposal in contrast to pure give-aways. He cited Earl Warren's reputation as a liberal because of his attention to roads and schools. He believed it essential that the President be identified with a school construction program. He wanted to avoid only Federal control of education.

In reply to a question from the President, Mrs. Hobby pointed out that this 3-year program would be merely an interim operation until the outcome of the White House Conference can be known and implemented.

Sec. Benson wished to avoid being a party to any effort to violate the spirit of debt limit provisos. The President believed such limitations had been designed to prevent misuse of public funds and that the people themselves desired to exempt education from such limitations.

It was agreed that the Budget Bureau would process in the regular way the review of details. The discussion ended with an expression from Mr. Humphrey and Mr. Hughes of their admiration for the nature of this program, despite the former's reservation on further study to make sure it did not hurt the Administration in other fields.

Budget Review - Mr. Hughes gave a short review of the budget material to be sent to Congress Monday. He emphasized the responsibility of all Cabinet members for making it come out as predicted. He noted that in FY 1955, only the savings effected by Defense, AEC, and FOA made possible the achievement of the results predicted in the budget message a year ago. He cited the dangers of supplemental appropriations and he noted especially the appropriations of some $3 billion by Congress over what the Administration had recommended, although reductions elsewhere compensated to some extent. Government expenditures in areas outside the security field surpassed estimates by some $2 billion. He warned that Defense could not be expected to make similar large savings another year and that it was incumbent upon all Cabinet members to maintain strict control over expenditures. Sec. Humphrey again cited the inadequacy of merely firing a stenographer in place of the necessary continuing review of programs to eliminate those no longer necessary as new programs and new services to the public are undertaken. Mr. Hughes reported a suggestion that he had received from a Congressman to the effect that there should be a 10% reduction in personnel,

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-5-76

to which Mr. Hughes had replied that under existing personnel requirements, such a cut would result in the loss of the wrong people. Mrs. Hobby agreed. Mr. Benson believed a 10% cut would be very popular in the nation.

Reorganization - Mr. Benson inquired as to the status of the Reorganization Act. Mr. Jack Martin reported that a bill for extending it two years would be introduced on Monday. Mr. Flemming urged that Cabinet members continue to be cautious about any specific reorganization proposals until the basic Act is extended.

Economic Report - Mr. Burns reviewed at some length the galley proofs of the Economic Report.

In the ensuing discussion, Sec. Weeks pointed out that it would seem desirable to omit the statement on the third page concerning restrictive action on escape clause recommendations. Dr. Burns indicated the point was under discussion. In regard to Mr. Weeks' suggestion that greater emphasis be put upon the termination of the excess profits tax, Dr. Burns indicated that some treatment had been given to this in the report and that the current language was the product of many viewpoints.

Mr. Weeks recalled his memorandum suggesting consolidation of the Small Business Administration within the Department of Commerce. Since the logic of it was admitted even though action was undesirable at the present time, he hoped the Economic Report might refer only to the function and not the specific organization. The President and Dr. Burns agreed.

Sec. Weeks questioned the language concerning unemployment compensation. Dr. Burns pointed out that the language had been softened considerably along the lines desired by Sec. Weeks but that it seemed impossible to go further without destroying the purpose. The President reported the advice he had received recently from a prominent business man to the effect that the states should improve their unemployment insurance programs as far as possible without removing the incentive to work. Sec.Weeks questioned the basis on which payments to unemployment funds would be computed. Dr. Burns indicated that any further reconciliation views would have to be accomplished by Mr. Mitchell and Mr. Weeks themselves. He added that business men seemed to desire the strengthening of unemployment insurance to withstand the pressures for a guaranteed annual wage. Sec. Mitchell indicated that some modification would be possible, and the President commented on how pliable his Cabinet members were becoming!

The President noted the section of the report concerning "Opportunity" and expressed his feeling that he would like to see the Administration always on record in behalf of "opportunity" as well as "security".

Mrs. Hobby believed greater reference should be made to education programs so as to balance references to highway construction. It was agreed that the better procedure would be to avoid specific reference to highway programs.

The Vice President praised the report for the effective presentation it contained of this Administration's economic philosophy. He urged that Cabinet members draw upon it for speech material, for there is great need for frequent repetition in this respect.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE Date 8-5-76
The Dwight D. Eisenhower Library

Defense Production Act Amendment (CP-18) - Because of the lateness of the hour, it was decided immediately to defer consideration of the proviso in CP-18 concerning coal. Mr. Flemming then read through the paper. The President asked about alternative powers that might enable him to accomplish the purpose of the standby controls recommendation without having it specifically legislated. Both the Attorney General and Mr. Flemming agreed that this legislation was necessary for any situation involving attack on the United States outside the continental limits.

Sec. Weeks suggested the desirability of recommending that the Act continue in effect until rescinded (rather than for two years). The President believed that would be desirable, and Dr. Flemming agreed that the effort could be made.

Gov. Adams questioned the possibility of enacting standby legislation in view of the legislative distrust expressed in the spring of 1953. Dr. Flemming and Sec. Humphrey believed the situation had since changed and that Congress would approve standby controls on the more limited basis recommended in this paper. It was agreed that the matter should be discussed at one of the leadership meetings and that Dr. Flemming should subsequently arrange coordination with the appropriate Committee Chairman. The draft legislation will be cleared through Budget as usual.

Congressional Liaison - Mrs. Hobby recounted a recent dispute over introduction of a bill and asked for guidance as to procedures. It was generally agreed that the ranking Republican member of any Committee should be the first to be consulted and that Republicans generally should be encouraged and helped to submit companion bills even when a piece of legislation might be introduced by a Committee Chairman.

L. A. M.
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

RA - 9

January 15, 1955

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting, Friday, January 14, 1955:

Item	Document Number
1. Cooperation of Cabinet Members in Promoting the National Reserve Plan ACTION: Cabinet members were requested to give public expression to their support for the National Reserve Plan.	
2. Proposed Functions of the Sub-Cabinet ACTION: CP - 17 was approved.	CP - 17
3. Legislative Proposals on Education ACTION: The Cabinet approved in principle the Education proposals presented by the Department of Health, Education and Welfare, with the understanding that there will be further consultation between the Departments of HEW and Treasury, and that the Bureau of the Budget will initiate the necessary detailed review with the departments and agencies concerned.	
4. Review of the 1956 Budget Message ACTION: Cabinet members were apprised of the continued urgent need for maintaining strict control over expenditures with a view to accomplishing further economies during the Fiscal Years 1955 and 1956.	
5. Highlights of the Economic Report ACTION: Further consideration will be given, insofar as possible, to suggestions advanced by Cabinet members for revision of the forthcoming Economic Report.	

CABINET PAPER

For Action

6. Defense Production Act Amendments of 1955

ACTION: CP - 18 was approved with the following understandings: CP - 18

(a) Decision on the proviso concerning coal would be postponed to a subsequent meeting.

(b) A recommendation would be made to have the legislation continued in force until rescinded rather than specifically for two years.

(c) The phraseology of draft legislation will be cleared through the Bureau of the Budget.

(d) Dr. Flemming will arrange for appropriate Congressional liaison including discussion at the weekly Leadership Meetings.

Maxwell M. Rabb
Secretary to the Cabinet

January 7, 1955

MEMORANDUM FOR GOVERNOR ADAMS

FROM: Maxwell M. Rabb

Problem:

Should the Sub-Cabinet be reconvened and, if so, what functions should it perform?

Discussion:

The Sub-Cabinet (the Under Secretaries of the Cabinet Departments) met periodically, under your chairmanship, from April to August, 1954. These meetings were so fruitful that several Under Secretaries have since expressed a desire to have them resumed.

In considering whether to reconvene these meetings, our experience with them highlights four points:

1. Though a high-level group, the Sub-Cabinet cannot make top-level decisions.

2. There are certain matters which the Sub-Cabinet can handle, however, and save the time of the Cabinet.

   a - Final decisions on matters which can be dealt with at the Under Secretary level, especially in the sphere with which all the Under Secretaries are concerned: the day-to-day running of their Departments.

   b - Operational decisions to ensure the coordinated implementation of Cabinet policy. (Analogue: the Operations Coordinating Board).

   c - "Dry-run" review of presentations destined for the Cabinet -- to eliminate unnecessary details and to ensure optimum Cabinet comprehension.

EXAMPLES OF SUBJECTS:

(i) Coordination in the Executive Branch on the handling of the anticipated Congressional investigations. (For these investigations, particularly in the fields of security and patronage, it would be inexcusable to have anything but well-planned and agreed-upon solutions to such problems as the producing of documents, disclosing of files and the character of testimony).

(ii) Minority Housing (with HHFA).

(iii) Disposal of Surplus Government Real Estate (The program is lagging and needs some high-level attention).

3. Sub-Cabinet meetings have a potent psychological benefit.

a - They help combat bureacratic and separatist thinking in the various departments and imbue the participants with the perspective of the President's comprehensive objectives.

b - Such meetings will be a valuable supplement to the teamwork we have at Cabinet level and will help to counter the constant divisive pressures from the outside.

c - These meetings will help answer the real need for a feeling of closer participation on the part of our Sub-Cabinet officers.

4. Sub-Cabinet meetings should not be regular, but be on a "when needed" basis.

(The Cabinet Secretariat will provide the same staff services as are now provided for the Cabinet).

Recommendations:

1. That the President approve reconvening the Sub-Cabinet under your chairmanship to meet on a "when needed" basis.
2. That he make an announcement of this decision, and invite comments, at the next Cabinet meeting.

Concurrence:

Colonel Goodpaster.

BP/MMR/br

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only CP - 17

January 12, 1955

The White House

Washington

THE CABINET

Proposed Functions of the Sub-Cabinet

For consideration by the Cabinet, attached is a paper on the functioning of the Sub-Cabinet, which it proposes be reconvened.

This paper has been prepared by the Secretary to the Cabinet in consultation with the Assistant to the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

THE CABINET

Proposed Functions of the Sub-Cabinet

Question:

Should the Sub-Cabinet be reconvened and, if so, what functions should it perform?

Discussion:

The Sub-Cabinet (the Under Secretaries of the Cabinet Departments) met periodically, under the chairmanship of the Assistant to the President, from April to August, 1954. These meetings were fruitful, and several Under Secretaries have since expressed a desire to have them resumed.

The idea of a functioning Sub-Cabinet was favorably received by the Cabinet during the presentation on staff work at the August 13 meeting.

In considering whether to reconvene the Sub-Cabinet meetings, experience with them highlights four points:

1. Though a high-level group, the Sub-Cabinet cannot make top-level decisions.

2. There are certain matters which the Sub-Cabinet can handle, however, and save the time of the Cabinet, e.g.,

   a. There are and will continue to be a large number of problems requiring decisions at a high level, but which can be taken care of short of the President and the Cabinet, particularly in the sphere with which the Under Secretaries are concerned: the day-to-day running of their Departments. (Occasionally, for any one of several reasons, one of these problems will become an issue for the Cabinet. The functioning of the Sub-Cabinet should, of course, never foreclose this eventuality.)

   b. The coordination of steps to implement decisions is often as important as making the initial policy decisions themselves. Members of the Sub-Cabinet group continually perform this function at their respective desks. Meetings of the Sub-Cabinet as a group can help assure that nothing is forgotten in the coordination and implementation of Cabinet decisions, and that any significant delays or complications can be reviewed. (Analogue: The Operations Coordinating Board)

   c. The non-Cabinet agencies often have problems which are of vital concern to the Cabinet Departments. The Sub-Cabinet can be used as a reception point for exchange of information concerning certain of the problems of those agencies which are of broad concern or require concerted action. This will serve to knit the Cabinet and the non-Cabinet parts of the Executive Branch more closely together.

   d. There is a continuing need for a high-level group which can give a first review to certain problems and recommendations, in order to eliminate unnecessary detail and thus facilitate the Cabinet's subsequent consideration of these problems.

3. Sub-Cabinet meetings have certain corollary benefits.

   a. They would help prevent separatist thinking in the various departments by giving each member a better understanding of the problems of the others.

   b. Such meetings will be a valuable supplement to the teamwork at Cabinet level, and will help to counter the constant divisive pressures from the outside.

c. These meetings will help fulfil the need on the part of the part of the White House for closer participation by Sub-Cabinet officers in high-level interdepartmental affairs.

4. Sub-Cabinet meetings should not be regular, but be only on a "when needed" basis.

(The Cabinet Secretariat will provide the same staff services as now provided for the Cabinet).

Recommendation:

That the President approve reconvening the Sub-Cabinet, under the chairmanship of the Assistant to the President, to meet on a "when needed" basis.

#####

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 17

January 15, 1955

THE WHITE HOUSE

Washington

THE CABINET

Functions of the Sub-Cabinet

The attached approved paper is circulated for appropriate action by the Cabinet Departments.

This paper, with its recommendation, was approved by the Cabinet and the President at the Cabinet Meeting of January 14, 1955 (Cabinet RA - 9, January 15, 1955, Item 2).

It is expected that the Cabinet Secretariat and the Special Assistants for Cabinet Coordination in the respective Departments will, when necessary, provide the same staff services for the Sub-Cabinet as they provide for the Cabinet.

MAXWELL M. RABB
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

THE CABINET

Proposed Functions of the Sub-Cabinet

Question:

Should the Sub-Cabinet be reconvened and, if so, what functions should it perform?

Discussion:

The Sub-Cabinet (the Under Secretaries of the Cabinet Departments) met periodically, under the chairmanship of the Assistant to the President, from April to August, 1954. These meetings were fruitful, and several Under Secretaries have since expressed a desire to have them resumed.

The idea of a functioning Sub-Cabinet was favorably received by the Cabinet during the presentation on staff work at the August 13 meeting.

In considering whether to reconvene the Sub-Cabinet meetings, experience with them highlights four points:

1. Though a high-level group, the Sub-Cabinet cannot make top-level decisions.

2. There are certain matters which the Sub-Cabinet can handle, however, and save the time of the Cabinet, e.g.,

   a. There are and will continue to be a large number of problems requiring decisions at a high level, but which can be taken care of short of the President and the Cabinet, particularly in the sphere with which the Under Secretaries are concerned: the day-to-day running of their Departments. (Occasionally, for any one of several reasons, one of these problems will become an issue for the Cabinet. The functioning of the Sub-Cabinet should, of course, never foreclose this eventuality.)

   b. The coordination of steps to implement decisions is often as important as making the initial policy decisions themselves. Members of the Sub-Cabinet group continually perform this function at their respective desks. Meetings of the Sub-Cabinet as a group can help assure that nothing is forgotten in the coordination and implementation of Cabinet decisions, and that any significant delays or complications can be reviewed. (Analogue: The Operations Coordinating Board)

   c. The non-Cabinet agencies often have problems which are of vital concern to the Cabinet Departments. The Sub-Cabinet can be used as a reception point for exchange of information concerning certain of the problems of those agencies which are of broad concern or require concerted action. This will serve to knit the Cabinet and the non-Cabinet parts of the Executive Branch more closely together.

   d. There is a continuing need for a high-level group which can give a first review to certain problems and recommendations, in order to eliminate unnecessary detail and thus facilitate the Cabinet's subsequent consideration of these problems.

3. Sub-Cabinet meetings have certain corollary benefits.

   a. They would help prevent separatist thinking in the various departments by giving each member a better understanding of the problems of the others.

   b. Such meetings will be a valuable supplement to the teamwork at Cabinet level, and will help to counter the constant divisive pressures from the outside.

CABINET PAPER

For Action

c. These meetings will help fulfil the need on the part of the part of the White House for closer participation by Sub-Cabinet officers in high-level interdepartmental affairs.

4. Sub-Cabinet meetings should not be regular, but be only on a "when needed" basis.

(The Cabinet Secretariat will provide the same staff services as now provided for the Cabinet).

Recommendation:

That the President approve reconvening the Sub-Cabinet, under the chairmanship of the Assistant to the President, to meet on a "when needed" basis.

###

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 18

January 12, 1955

The White House

Washington

THE CABINET

Defense Production Act Amendments of 1955

For consideration by the Cabinet, attached is a paper, prepared by the Director of the Office of Defense Mobilization, requesting the concurrence of the Cabinet and the approval of the President for the amendments being proposed this year to the Defense Production Act of 1950, as amended. (The Act must also be extended, since it expires this year.)

The proposed amendments are of two kinds:

1. Authorizing mobilization preparedness measures;
2. Providing standby authority for the President which would come into effect automatically in the event of enemy attack on the United States.

The proposed amendments have been discussed previously in the Defense Production Board.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

THE CABINET

DEFENSE PRODUCTION ACT AMENDMENTS OF 1955

Problem: Should the request for extension for two years of the Defense Production Act of 1950, as amended, include amendments designed (1) to authorize mobilization preparedness measures and (2) to provide standby authority for the President which would come into effect automatically in the event of enemy attack on the United States?

Discussion: In addition to the proposal to extend the Defense Production Act for two years, the suggested amendments fall into two groups. The first would ask for Congressional approval of a more direct and extensive use of existing powers in the Act to carry out preparedness measures and would propose the addition of certain specific authorities for that purpose. The second group would involve the present enactment of standby powers to come into effect automatically in the event of enemy attack on the United States, its territories, armed forces or installations -- existing authorities would be strengthened and stabilization controls made available to the President in such a situation.

In the first category, the initial amendment would insert language in the declaration of policy to indicate that the powers in the Act could be used to effect programs designed to reduce the time necessary to mobilize in the event of hostilities. In addition to an extension for two years of the long term contracting period, the specific powers to assist in such programs would authorize (1) the development of substitutes for strategic and critical materials, (2) the continuation of voluntary agreements after expiration of the Act when in the interests of national defense, (3) the creation and training of a reserve of executives willing and able to serve the government under full mobilization, and (4) the purchase of government coal requirements from distressed areas when necessary to the maintenance of coal resources and the utilization of skilled manpower.

The standby powers are grouped in a single new Title VIII although some of the powers are in the form of amendment to the present provisions of the Act. The title is introduced by a separate declaration of policy recognizing the need, in the event of attack, for strengthening existing authorities and for providing stabilization controls. It would approve the use of any of the powers and authorities granted by the preceding titles of the Act to carry out the programs necessary in the event of attack.

The present priorities and allocations power would be strengthened by removing the present limitation on the general distribution of materials in the civilian market and by the addition of the authority to requisition both real and personal property in the interests of national defense. The requisitioning provision, which is particularly valuable in securing compliance with materials controls, is the same as that included in the Act during the Korean conflict. Further support to existing authorities would be supplied by the broader definition of the term "national defense" used at that time and by the dropping of present restrictions dealing with state regulation of natural gas and with voluntary agreements concerning control of credit.

The stabilization powers also are in terms similar to those previously enacted and like them could be put into effect at the discretion of the President. The power to freeze price, wage and rent levels, in keeping with the Congressional expression, is provided on an interim basis pending a more detailed enactment by Congress but no specific period is provided and the controls would remain in effect until superseding action was taken. Authority for the President to make exceptions to the general freeze would provide the necessary flexibility if that period were to be lengthy.

Authority is also provided for the application of controls over the extension of consumer and real estate credit. This provision is in the same form as that originally enacted in the Defense Production Act. The section on labor disputes likewise is identical with that passed in 1950 and speaks only of voluntary measures for the settlement of disputes affecting stabilization and uninterrupted production for national defense.

Recommendations: That the Cabinet approve the proposed amendments to the Defense Production Act of 1950, as amended.

Implementation: If the President approves this paper the Director of the Office of Defense Mobilization will submit to the Bureau of the Budget for agency approval a proposed bill designed to make the necessary amendments to the Act.

Concurrences: The proposed amendments have been reviewed by the Defense Mobilization Board and, with respect to the coal amendment, the President's Cabinet Committee on Energy Supplies and Resources Policy.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 18/1

January 20, 1955

The White House

Washington

THE CABINET

Defense Production Act Amendments of 1955

The attached approved paper is circulated for action by the Office of Defense Mobilization and the Bureau of the Budget, and for the information of the interested Cabinet Members.

This paper incorporates the revisions requested by the Cabinet and the President at the Cabinet meeting of January 14 (Cabinet RA - 9, Item 6). The recommendation concerning coal now appears in Cabinet Paper CP - 19 as section 12 - j (scheduled for Cabinet discussion on January 21).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

THE CABINET

DEFENSE PRODUCTION ACT AMENDMENTS OF 1955

Problem: Should the request for extension of the Defense Production Act of 1950, as amended, include amendments designed (1) to authorize mobilization preparedness measures and (2) to provide standby authority for the President which would come into effect automatically in the event of enemy attack on the United States?

Discussion: In addition to the proposal to extend the Defense Production Act until terminated by action of the Congress or the President, the suggested amendments fall into two groups. The first would ask for Congressional approval of a more direct and extensive use of existing powers in the Act to carry out preparedness measures and would propose the addition of certain specific authorities for that purpose. The second group would involve the present enactment of standby powers to come into effect automatically in the event of enemy attack on the United States, its territories, armed forces or installations -- existing authorities would be strengthened and stabilization controls made available to the President in such a situation.

In the first category, the initial amendment would insert language in the declaration of policy to indicate that the powers in the Act could be used to effect programs designed to reduce the time necessary to mobilize in the event of hostilities. In addition to an extension for two years of the long term contracting period, the specific powers to assist in such programs would authorize (1) the development of substitutes for strategic and critical materials, (2) the continuation of voluntary agreements after expiration of the Act when in the interests of national defense, and (3) the creation and training of a reserve of executives willing and able to serve the government under full mobilization.

The standby powers are grouped in a single new Title VIII although some of the powers are in the form of amendments to the present provisions of the Act. The title is introduced by a separate declaration of policy recognizing the need, in the event of attack, for strengthening existing authorities and for providing stabilization controls. It would approve the use of any of the powers and authorities granted by the preceding titles of the Act to carry out the programs necessary in the event of attack.

The present priorities and allocations power would be strengthened by removing the present limitation on the general distribution of materials in the civilian market and by the addition of the authority to requisition both real and personal property in the interests of national defense. The requisitioning provision, which is particularly valuable in securing compliance with materials controls, is the same as that included in the Act during the Korean conflict. Further support to existing authorities would be supplied by the broader definition of the term "national defense" used at that time and by the dropping of present restrictions dealing with state regulation of natural gas and with voluntary agreements concerning control of credit.

CABINET PAPER

For Action

The stabilization powers also are in terms similar to those previously enacted and like them could be put into effect at the discretion of the President. The power to freeze price, wage and rent levels, in keeping with the Congressional expression, is provided on an interim basis pending a more detailed enactment by Congress but no specific period is provided and the controls would remain in effect until superseding action was taken. Authority for the President to make exceptions to the general freeze would provide the necessary flexibility if that period were to be lengthy.

Authority is also provided for the application of controls over the extension of consumer and real estate credit. This provision restores all authority originally enacted in the Defense Production Act. The section on labor disputes likewise follows that passed in 1950 and speaks only of voluntary measures for the settlement of disputes affecting stabilization and uninterrupted production for national defense.

Recommendations. That the Cabinet approve the proposed amendments to the Defense Production Act of 1950, as amended.

Implementation: The Director of the Office of Defense Mobilization will submit to the Bureau of the Budget for agency approval a proposed bill designed to make the necessary amendments to the Act and will arrange for appropriate Congressional liaison including discussion at the weekly Leadership Meetings.

Concurrences: The proposed amendments have been reviewed and approved by the Defense Mobilization Board.

THE WHITE HOUSE
WASHINGTON

ADDITIONAL OFFICERS EXPECTED AT CABINET MEETING

January 14, 1955

For Item 3:	(HEW Education Presentation)	Mr. Roswell Perkins Assistant Secretary of HEW for Program Analysis Dr. Samuel Brownell, Commissioner of Education *Mr. Cushman McGee from the firm of R. W. Pressprich, New York *Mr. O. S. Brewer from the Phillips Fan Co. of New York *Mr. John Mitchell, of the law firm of Caldwell, Marshall, Trimble and Mitchell, New York *Bond Evaluation Consultants Miss Nadia Williams (charts) Administrative Officer of the HEW Departmental Council
For Item 4:	(Budget Message Review)	Director Hughes may bring Deputy Director Brundage

For Item 5:	(Economic Report)	Dr. Walter Stewart Dr. Neil Jacoby, of the Council's Staff

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CA - 10

January 20, 1955

The White House
Washington

THE CABINET

Agenda

Friday, January 21, 1955
10:00 AM

1.	Energy Supplies and Resources Policy - Report of the Cabinet Committee	CP - 19	The Director, Office of Defense Mobilization
2.	The Mutual Security Program	(ORAL)	The Director, Foreign Operations Administration

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
E.O. 11652, Sec. 11
MR 77-151 #1
By Date 10/25/77

CABINET PAPER
For Action

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

January 21, 1955
10:10 A. M. -- 12:10 P. M.

The following were present:

The President

Vice President Nixon
Under Sec. Hoover
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson, and
Deputy Sec. Anderson
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming
Chairman Young
Amb. Lodge
Dr. Burns

James F. Brownlee, ODM, in part
Charles H. Kendall, ODM, in part
Judge Robert N. Wilkin, in part
Dr. Charles J. Potter, in part
John E. Warren, in part

Gov. Adams
Dr. Hauge
Mr. Hagerty
Mr. Shanley
Mr. Rockefeller
Mr. Morgan
Mr. Martin
Mr. McCann
Murray Snyder
Mr. Rabb
Mr. Minnich

Energy Resources Report (CP-19) - Dr. Flemming noted the work of the task force and then stressed the need for keeping this paper confidential until decisions were reached on what publicity would be given to it.

Dr. Flemming read in full Recommendations 1 and 2 on regulation of natural gas. In discussion, the President singled out the phrase that the Administration would recommend that Congress should enact legislation. Mr. Flemming believed the Executive Branch should take a positive position on any bills taken up by Congress even though not introduced by the Administration. The Attorney General believed the Administration should limit itself to commenting on bills on which it is called to testify. In subsequent discussion, it was made clear that the Administration would not itself recommend legislation but would stand prepared to testify on legislation which may be introduced by the opposition. Under Sec. Anderson suggested substitute language for Recommendation 1 a, which had the effect of deleting the Administration commitment and substituting a general policy statement on which legislative initiative could be taken

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 3-17-77

Cabinet Minutes, January 21, 1955 - 2

by anyone so desiring. The Vice President took note of pressures on the Texas Senators particularly for such legislation and suggested that the Administration should leave the initiative to Sen. Lyndon Johnson.

The President believed that any public statement should stress the need for continued exploration in the long-range interest of the consumer, otherwise supplies may run short and the price be increased far beyond the modest cost of continuing exploration. Mrs. Hobby believed an entire preface should be prepared for the purpose of establishing consumer interest as the purpose of these policies.

Amb. Lodge asked whether these policies would relieve from regulation by either Federal or state government any activity presently regulated. Dr. Flemming indicated that there would be such an activity, which was now being regulated by virtue of the Supreme Court decision on the Phillips case. The Attorney General pointed out that it would be subject to state regulation if the states desire to do so. Mr. Brownlee noted that most State Power Authorities would be unhappy with this policy since they would believe it did not effectively control the price of gas to consumers in their states.

Sec. Mitchell noted that Paragraph 1a, (2), was not entirely consistent with current plans for a wartime emergency. Sec. Humphrey suggested that the final clause ("because Federal jurisdiction, etc.") should be knocked out. It was so agreed.

Recommendation 3 was accepted without comment.

In regard to Recommendation 4 on oil imports, Under Sec. Hoover emphasized the desirability of voluntary controls as the best means of accomplishing the State Department's very difficult problems involving friendly countries; the Attorney General cautioned, in the interests of the anti-trust laws, that any discussions by Government officials with officials of private oil companies must be limited to merely pointing out the consequences of failure to limit imports voluntarily; Sec.Humphrey forecast that voluntary action would eventually be ineffective because of increasingly bad situations in domestic energy industries, but he agreed that the recommendation here was the best now available; Sec. Wilson cautioned against any rapid changes toward over-reliance on foreign oil, though he did believe it might be better to slow down on the use of our own exhaustible oil resources. The President believed the policy to be the best "middle of the road" solution. Mrs. Hobby wished to soften the language committing the President to propose appropriate action, and to substitute the word "review". Messrs. Humphrey and Flemming and the President believed a mere promise of review would be inadequate to the present situation. Sec. Wilson suggested a revision to state that the President will propose appropriate action, deleting the final clause. Mr. Flemming agreed.

Sec. Weeks took great exception to the inclusion of residual oil in this recommendation. He believed inclusion constituted a limitation upon the ability of private concerns to improve their efficiency by converting from one form of fuel to another. He believed some alternative program should be found for helping the coal industry.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 3-17-77

The President believed he did not have sufficient information on which to base rejection of the Committee recommendation, whereupon Sec. Weeks stated his acceptance of the recommendation now, so long as the subject is open to periodic review.

Mr. Flemming again cautioned on the need for avoiding any public indication of this policy until the Department of State had ample opportunity to effect necessary discussions with foreign countries.

Recommendations 5 through 8 were accepted without discussion.

On Recommendation 9, Sec. Weeks noted the relationship to the work of the Transport Policy Committee and asked that this section be held in abeyance until his Committee completed its work. He did not foresee any conflict. Mr. Flemming agreed to work out with him the appropriate handling of this particular point.

Secretaries Weeks and Wilson opposed Recommendation 12, j, on the grounds that it would open the door to innumerable pressures for similar action for any product in a depressed situation, for discrimination favoring one item over another depending on political influence, and other abuses. Sec. Weeks asserted the policy would not increase the quantity of coal used but would increase its cost. The President believed the situation would not differ from similar practices such as tariffs and quotas. Mr. Wilson suggested that there would not be a great increase in the need for coal in any future war. In the ensuing discussion, Mr. Humphrey apparently made the more convincing case for a considerably increased use. Mr. Humphrey also believed this proposal did not involve any new principle of Federal action to protect an industry necessary to mobilization and national security. The President concluded that this policy would of course have to be administered on the basis of good judgment.

In a discussion as to publicity on the paper as a whole (except for the part on natural gas already decided), the President emphasized the need for obtaining the views of people expert in their knowledge of Congressional viewpoint. Gov. Adams spoke on the need for an early public statement. It was agreed that the Committee would therefore take the report back in order to prepare recommendations on publication, to be cleared with Cabinet members and, if possible, submitted to the White House for discussion at the Legislative Leaders Conference next Tuesday. Dr. Flemming announced that the Cabinet Committee would have a 9:00 A.M. meeting on Saturday, January 22nd.

Mutual Security Program - Because of the lateness of the hour, Gov.Stassen made a very hurried presentation of the charts depicting the President's Partnership Program. These charts showed among other things the broad scope and dollar size of the program, the relationship of Marshall Plan assistance to European economic improvement, the impact of American assistance on Communist influence in various countries, and the impact of such assistance on our own economy. Gov. Stassen pointed out that the program was soon to be presented to Congress and that, in order for it to be successful, the understanding and collateral support of the entire Cabinet was to be desired.

Economic Report Hearings - Cabinet members were advised of the intentions of Sen. Douglas to arrange "Panel discussions" in connection with hearings on the Economic Report. The President emphasized the desirability of having Cabinet members confine their participation to the customary

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-5-76

cooperation in giving testimony and responding to questions asked by members of the Committee. He stated that Cabinet members must remember their responsibility to the President, not to a Congressional Committee. The Vice President suggested that Cabinet members discuss their participation in advance with Republican members of the Committee. It was also suggested that any Cabinet members requested to appear might properly turn over some of the appearance to their subordinates.

President's Highway Program - Director Hughes urged that Cabinet members give first priority to consideration of the Highway Program and submit their comments or concurrences to the Bureau of the Budget no later than Monday, January 24th.

L. A. Minnich, Jr.

Distribution
✓Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

THE WHITE HOUSE
WASHINGTON

January 20, 1955

Additional Officers Expected for the Cabinet Meeting of January 21

For Item 1:

Deputy Secretary Anderson, Defense
Mr. James F. Brownlee, Chairman, Task Force of the Cabinet Committee on Energy Supplies and Resources Policy
Mr. Charles Kendall, General Counsel, ODM

For Item 2:

Mr. Frank Charrette, Director, Division of Research, FOA

Mr. Arthur Eden, Deputy Director, Division of Research, FOA

(To assist Mr. Stassen with the charts.)

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

This is Copy No. 02

CP - 19

January 19, 1955

The White House

Washington

THE CABINET

Energy Supplies and Resources Policy -
Report of the Cabinet Committee

For consideration by the Cabinet, attached is a copy of the Report of the Cabinet Committee on Energy Supplies and Resources Policy. This Committee was established by the President on July 30, 1954, under the chairmanship of Dr. Flemming, Director of the Office of Defense Mobilization.

The attached Report is divided into two sections --

INTRODUCTION (pages 1 - 3)

RECOMMENDATIONS (pages 3 - 7).

In considering this Report, it is suggested that Cabinet Members refer to the Report of the Cabinet Committee's Task Force dated November 24, 1954. (Copies of this Report are being made available by the Cabinet Secretariat to those Cabinet Members who do not already have it.)

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
E.O. 11652, Sec. 11
MR 77-151 #2
By Date 10/25/77

CABINET PAPER

For Consideration

~~CONFIDENTIAL~~

[redacted]

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Office of the Director

January 18, 1955

The President
The White House
Washington, D. C.

Dear Mr. President:

I have the honor to transmit herewith the Recommendations of the Cabinet Committee on Energy Supplies and Resources Policy.

Respectfully yours,

ARTHUR S. FLEMMING
Director

CABINET PAPER

For Consideration

[redacted]

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

REPORT OF THE

CABINET COMMITTEE ON ENERGY SUPPLIES AND RESOURCES POLICY

INTRODUCTION

The importance of energy to a strong and growing economy is clear. As conditions of supplies and reserves of coal, oil and natural gas change and as both defense and peacetime requirements come more clearly into focus, the bearing of Government policies upon energy needs re-examination.

What degree and kind of public regulation is appropriate to the present situation and future outlook? What trade policies for energy supplies will most effectively express the overlapping national needs for adequate protectable supplies in case of war, for encouragement of economic growth of this country and friendly countries elsewhere in the world, and for a supportable general trade policy? What steps may be taken to improve the economic position of the coal industry, now seriously depressed, without penalizing competing industries, as a means of enhancing the ability of that industry to contribute to the national defense? More particularly, should specific changes be made in tax, freight rate, research, government purchasing, or other policies in the energy field?

These and other policy questions press for careful review and decision.

The Cabinet Committee on Energy Supplies and Resources Policy has studied the problems and reached certain conclusions. Its recommendations, arrived at after much discussion, are set out briefly in this report. The Committee has been aided greatly by the work of its Task Force (described later), which in the introduction to its report stated:

"Throughout the course of its economic growth this Nation has depended upon ever increasing supplies of energy, especially from coal, oil and gas. On the average each person now consumes 1½ times as much energy from these sources as a person fifty years ago, and 1½ as much as a person twenty-five years ago. Coal, oil and gas now constitute three vital industries basic to our whole industrial system. These industries employ about one million persons, produce 1½ billion tons in coal equivalent of energy a year, account annually for more than $5 billion of investment and contribute over $12 billion a year to the total national production.

"Within the rapid and persistent rise in use of energy, the fortunes of coal, oil and gas have varied. Fifty years ago coal furnished 87%; today coal's share has dropped to 32%. Oil has grown from 6% a half century ago to 41% now and is the largest single source of energy. Gas has risen meteorically in the last two or three decades from virtually nothing to a point where it provides one-fourth of the total. Water power has varied between 3 and 5 percent.

"Within this broad framework of growth and change direct Government policies have been confined to specific matters. Government has long played a role in the establishment and enforcement of safety standards in the coal industry. Certain aspects of the coal and gas industries, notably pipeline transportation, have come under Government regulation. The growing awareness of conservation problems has brought forth appropriate State regulations for this purpose. The intense energy requirements for defense and war have dramatized the basic character of energy's role in the economy, with a resultiig insistence upon an adequate margin of safety in energy supplies and production facilities. Building upon this general record of public policy and legislative development, it now becomes necessary to reconsider some old problems and to address some new ones."

CABINET PAPER

For Consideration

~~CONFIDENTIAL~~

On July 30, 1954, the President established a Cabinet Committee on Energy Supplies and Resources Policy. The Director of the Office of Defense Mobilization was designated as Chairman of this Committee and the heads of the following agencies served as members: Departments of State, Treasury, Defense, Justice, the Interior, Commerce and Labor.

The White House directive respecting the Committee's assignment included the following specific statements:

> "At the direction of the President the Committee will undertake a study to evaluate all factors pertaining to the continued development of energy supplies and resources fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.
>
> "The Committee will review factors affecting the requirements and supplies of the major sources of energy including: coal (anthracite, bituminous and lignite, as well as coke, coal tars, and synthetic liquid fuels); petroleum and natural gas."

The Committee's recommendations which constitute the substance of this report, reflect unanimous acceptance of these general objectives as depicted by the Task Force:

> To assure sufficient supplies of energy for economic growth.
>
> To assist in promoting national defense.
>
> To support competitive enterprise and to minimize interference with existing economic relations.
>
> To enhance the general welfare, particularly through intelligent policies for conservation and development of energy resources and adequate safeguards to the public interest in cheap and continuous supplies.
>
> To facilitate orderly adjustment to economic change.
>
> To provide any necessary public assistance as economically as possible.
>
> To respect legal consistency and administrative efficiency.

The Committee Chairman was instructed by the President to "Appoint from outside of the Government experts in each one of the areas to be studied to serve . . . as members of a task force or forces." Consequently, he established a Task Force consisting of representatives of the energy industries to be considered and representatives of the public at large.

Intensive work on the part of the Task Force members and staff resulted in a report dated November 24, 1954, to the Cabinet Committee. In this report the Task Force developed a careful analysis of the issues presented and a statement of its conclusions and recommendations. Other sections of this report set forth the economic framework for these issues and recommendations and outlined the legislative and related record of energy policy development.

The Task Force, after consideration, reached the conclusion that over-all energy supplies, assuming adequate incentives to development and a healthy economic climate generally, will be adequate, not only for economic growth, but also for at least the first year or two of full mobilization, should that become necessary any time during the next ten years. This would give a period of time during which special efforts could be made to increase energy supplies. The Cabinet Committee agrees with the Task Force in this conclusion. It should be noted that lack of necessary data and time made it impossible to take account at this time of possible war damage.

The members of the Cabinet Committee have taken into full account the conclusions and recommendations arrived at by the Task Force. Some of these recommendations are in complete accord with the thinking of the Committee members and have been incorporated in this report. Others have been revised or deleted in the light of decisions reached by the Cabinet Committee during the course of its own deliberations extending over a period of several months. The Task Force has, however, participated in the Cabinet Committee's discussions and, as a whole, is in substantial agreement with the Committee's recommendations. The report of the Task Force, together with the reports of the Task Force consultants on coal, oil and gas, are submitted as background to the Committee's report and because they are thought to be valuable in their own right.

RECOMMENDATIONS

1. Natural Gas Regulation

a. We recommend that the Congress enact legislation to provide that the Federal Power Commission shall not control the production, gathering or processing of natural gas, severally or together, or the sale of such gas when such action or sale takes place wholly within the confines of a single state before the gas enters facilities owned by an interstate pipeline company that sells gas for resale; and that there be no Federal control of gas produced and moved across a state line by a producer prior to such sale, for the following reasons:

(1) We believe that such Federal control would work against discovery and development of gas reserves; and

(2) We believe that Federal regulation should not occur at any point prior to the actual sale of natural gas into a pipeline engaged in interstate commerce, because Federal jurisdiction should not extend to commodity price fixing within a state.

b. We recommend that in certificating new interstate pipelines, or in considering applications for increased rates at which natural gas is proposed to be sold by the interstate transmission lines based on new or renegotiated purchase contracts, the FPC consider not only the assurance of supply, but also whether the contract prices of the natural gas which the applicant has contracted to buy are the reasonable market field prices.

In considering certificate applications and in fixing rates, the FPC should use the same general standards of the reasonableness of the price for gas produced by a pipeline company or by an affiliate of a pipeline as for gas purchased from an independent producer.

2. Sales Below Cost by Interstate Pipeline Companies

The basic principle regarding the regulation of natural gas and the use of alternative energy sources should be as far as possible that of free choice by the consumer and free and fair competition among suppliers. This, it is confidently thought, will provide most effectively for the assurance and flexibility of energy supply, both for economic growth and strong security readiness. But sales either for resale or direct consumption below actual cost plus a fair proportion of fixed charges which drive out competing fuels constitute unfair competition and are inimical to a sound fuels economy.

The Committee recommends, therefore, that legislation be proposed that will prohibit sales by interstate pipelines either for resale or for direct consumption, which drive out competing fuels because the charges are below actual cost plus a fair proportion of fixed charges.

3. Eminent Domain for Natural Gas Storage

The power of eminent domain for the acquisition of surface and mineral rights for the development of underground storage reservoirs should be granted subject to appropriate safeguards to protect the public safety, including the mining industry.

4. Crude Oil Imports and Residual Fuel Oil Imports

The Committee believes that if the imports of crude and residual oils should exceed the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuel situation will be seriously impaired from the standpoint of the strengthening of national defense, making provision for orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency. In arriving at this conclusion, the Committee has taken into consideration the importance to the economies of friendly countries of their oil exports to the United States as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

The Committee recommends, therefore, that if in the future the imports of crude oil and residual fuel oils exceed the respective proportions that such imported oils bore to domestic production of crude oil in 1954, the President propose appropriate measures that will bring about the required relationships.

The Committee recommends further that the desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and defense requirements.

5. Petroleum Refining Capacity

The Departments of Defense and the Interior should have studies made by their staffs and expert advisors as to the adequacy of present and prospective refinery capacity, both as to amount and dispersal, as well as other factors, to determine the need for any measures to maintain refinery capacity necessary for defense purposes, particularly the capacity operated by small, independent refineries.

6. Tax Incentives

a. Present tax provisions on coal, oil and gas production have been an important factor in encouraging development of energy sources at a pace about in keeping with demand. Further analysis and study by the appropriate branches of the Government should from time to time be made to review the amount and method of making such allowances to maintain proper relationships with continuing changes in other features of the tax law. Any changes which may be proposed in the future must be analyzed in terms of their probable effect on development of domestic resources needed for economic progress and national defense as well as the fiscal and tax policies of the Government.

b. Retroactive tax legislation and special relief provisions should be avoided.

c. Accelerated amortization should be used only to insure the maintenance of a sound mobilization base for energy supplies.

Proposed Redraft of Recommendation No. 4. Crude Oil Imports and Residual Fuel Oil Imports*

The Committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuel situation could be seriously impaired from the standpoint of the strengthening of national defense, making provision for orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency. Therefore imports should be limited in accordance with this principle by voluntary, individual action by importers.

In arriving at this conclusion, the Committee has taken into consideration the importance to the economies of friendly countries of their oil exports to the United States as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

The Committee recommends, therefore, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, the President will propose appropriate action to correct the situation.

The Committee recommends further that the desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and defense requirements.

*Adopted by Cabinet Committee on Energy Supplies and Resources Policy, 9:00 a.m., Friday, January 21, 1955.

7. Research and Development Program for Coal

We recognize that coal is a great national asset and endorse a cooperative study to determine what research and development could be undertaken. The coal industry and both Federal and State governments should participate in this study and its cost.

8. Unemployment and Business Distress in the Coal Industry

We recognize that serious unemployment and business distress exist in the coal industry and recommend that the Interdepartmental Committee on the Soft Coal Industry be continued for the purpose of developing for Cabinet consideration specific action programs to alleviate these conditions.

9. Coal Freight Rates

a. Railroads should be permitted to reduce passenger and other services which result in sizeable deficits or be permitted to raise rates.

b. After necessary study, appropriate efforts should be made to avoid discrimination in subsidies to forms of transportation, such as airlines, trucking, ocean shipping, and waterways which compete with railroads.

c. In order to maintain coal's vitality as an instrument of national defense by improving currently its ability to compete with other fuels, the railroads, by voluntary action, and, in the absence thereof, the Interstate Commerce Commission, by compulsory order, should adjust freight rates to the extent necessary to remove the excessive and disproportionate contribution that coal rates are making to meet the cost of other unprofitable services of the railroad industry.

d. Train load rates should be established to reflect the lower costs of such service.

10. Coal Exports

a. The Government should urge foreign governments to reduce discriminatory restrictions against imports of U. S. coal.

b. The Government, when making foreign loans, should use its best efforts to obtain provisions to prevent discrimination against U. S. coal. Discrimination would be judged to exist when U. S. coal imports are disallowed despite its availability at costs no higher than foreign coal.

c. The Government should expedite efforts to establish credits through the Export-Import Bank to foreign banking institutions in countries where there is reasonable prospect of repayment so that American coal exporters can offer more competitive payment terms to foreign customers.

d. Where U. S. coal can be supplied competitively with other available coal, the Government should use its best efforts to enlarge the participation of U. S. coal in the foreign aid program.

e. The Government should compensate for higher shipping costs when incurred as a result of the requirement that 50 percent of all shipments be in United States ships at fair and reasonable United States market rates.

11. Mobilization Requirements for Coke

The Committee believes that present and prospective rates of shutdown and dismantling of slot-type coke ovens will leave inadequate coking capacity to support full mobilization production of steel and other essential war-time industry.

On the basis of national security, coke requirements can only be met if the Office of Defense Mobilization is directed to prepare plans to make the necessary arrangements and tests to rapidly expand coke production in the case of an emergency.

12. Government Fuel Purchasing Policy

In working out a more consistent and equitable coal purchase policy, the following steps should be taken:

a. The Secretary of Labor under the Walsh-Healy Act should pursue his present policy of making determinations of wage standards applicable in the coal producing areas and should establish these standards at the earliest practicable date.

b. The Government agencies shall, to the extent practicable, purchase not less than 75 percent of their estimated annual coal requirements on a contract basis.

c. All Government agencies purchasing coal shall, prior to and after the award of the contract, verify the quality of the coal offered and supplied to the agencies.

d. All Government contracts for the purchase of coal shall contain appropriate escalator clauses which protect the buyer and the seller.

e. In instances where it is not possible for a Government agency to take all the coal for which it has contracted, the deficit shall be apportioned equitably among all participating contract suppliers without penalty to the Government.

f. Coal suppliers shall be required to submit, along with their bids, proof of their ability to produce the requirements at the time the contract is awarded.

g. All coal suppliers to the Government, regardless of size, shall comply with the Federal Coal Mine Safety Act.

h. All transactions with the Government relating to coal purchases and supply shall be public information.

i. The domestic fuel purchasing policies set forth above shall be applied to purchases of coal by companies acting as agents for the Federal government, as well as to purchases made direct by Government agencies.

j. The Defense Production Act of 1950 should be amended as follows:

A new Section 714 is to be added to read as follows:

"Section 714. The Director of the Office of Defense Mobilization, on direction of the President, may authorize and direct departments, agencies and persons acting on behalf of the Government to purchase part or all of their coal requirements by negotiated contract or otherwise and without regard to Section 3709 of the Revised Statutes, whenever he finds that such method of procurement is in the interest of the national defense as contributing to the maintenance of coal resources for emergency use and the effective utilization of skilled manpower."

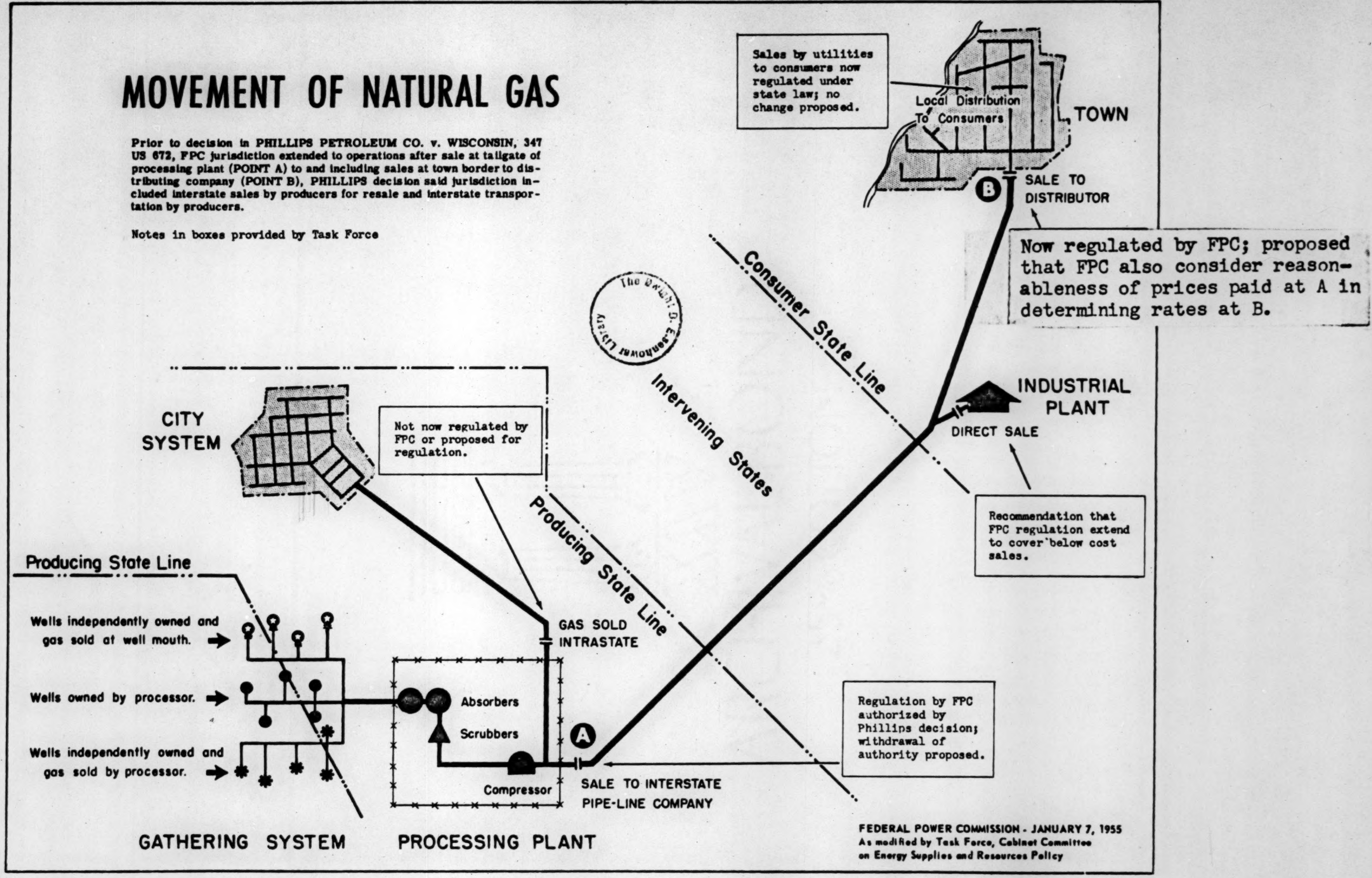
Prior to the purchase of any large amount of fuel by a Federal government agency, that agency should request advice from ODM as to how this purchase can contribute to the maintenance of a strong mobilization base within the domestic fuels industry. ODM should be directed by Executive Order to develop a mechanism for accomplishing this objective.

#####

MOVEMENT OF NATURAL GAS

Prior to decision in PHILLIPS PETROLEUM CO. v. WISCONSIN, 347 US 672, FPC jurisdiction extended to operations after sale at tailgate of processing plant (POINT A) to and including sales at town border to distributing company (POINT B), PHILLIPS decision said jurisdiction included interstate sales by producers for resale and interstate transportation by producers.

Notes in boxes provided by Task Force


TOWN
Local Distribution To Consumers
B
SALE TO DISTRIBUTOR
Consumer State Line
Intervening States
INDUSTRIAL PLANT
DIRECT SALE
CITY SYSTEM
Producing State Line
GAS SOLD INTRASTATE
Producing State Line
Wells independently owned and gas sold at well mouth.
Wells owned by processor.
Wells independently owned and gas sold by processor.
Absorbers
Scrubbers
Compressor
A
SALE TO INTERSTATE PIPE-LINE COMPANY
GATHERING SYSTEM
PROCESSING PLANT

Sales by utilities to consumers now regulated under state law; no change proposed.

Now regulated by FPC; proposed that FPC also consider reasonableness of prices paid at A in determining rates at B.

Not now regulated by FPC or proposed for regulation.

Recommendation that FPC regulation extend to cover below cost sales.

Regulation by FPC authorized by Phillips decision; withdrawal of authority proposed.

FEDERAL POWER COMMISSION - JANUARY 7, 1955
As modified by Task Force, Cabinet Committee on Energy Supplies and Resources Policy

CI - 1/2

January 24, 1955

The White House

Washington

THE CABINET

Directory of the Special Assistants for Cabinet Coordination (Revised)

For information of Cabinet Members, their respective Special Assistants and the White House Staff, attached is a Directory of the Special Assistants for Cabinet Coordination, as they have been designated in response to the Cabinet Aide Memoire of August 13, and as since revised.

This Directory supersedes CI - 1/1 of October 26, 1954.

In circulating this Directory, the attention of all recipients is called to the fact that this group of officers exists to facilitate, in a staff capacity, any Agency-White House or interagency transactions deserving attention at the Cabinet level. By using this staff system fully, the time of Cabinet Officers personally is saved, yet there is assurance (a) that those Officers will be notified as appropriate, and (b) that action within their respective Agencies will go forward promptly and be followed up from the top level.

Maxwell M. Rabb
Secretary to the Cabinet

DIRECTORY

# of the

SPECIAL ASSISTANTS FOR CABINET COORDINATION

Department of State

Mr. Roderick L. O'Connor
Special Assistant to the Secretary
5134 New State Department Building

Ext. 5171

Assisted by:

Mr. John W. Hanes, Jr.
Special Assistant to the Secretary
5134 New State Building

Ext. 5171

Department of the Treasury

Mr. William W. Parsons
Administrative Assistant Secretary
3424 Department of the Treasury

Ext. 332 or 333

Assisted by:

Mr. Robert P. Mayo
Chief, Debt Division
Analysis Staff
Office of the Secretary of the Treasury

Ext. 2027

Department of Defense

Mr. Ralph O. Moore
Special Assistant to the
Secretary of Defense
3E880, Pentagon Building

Ext. 55261

Department of Justice

Mr. John Lindsay
Executive Assistant to the
Attorney General
5216 Department of Justice

Ext. 299

Post Office

The Honorable Charles R. Hook
Deputy Postmaster General
3202 Post Office Building
12th St. & Pennsylvania Avenue

Ext. 370

Assisted by:

Mr. Jeffrey P. Hillelson
Executive Assistant to the Postmaster
General
3407 Post Office Building

Ext. 411

Department of the Interior

Mr. Raymond Davis
Assistant to the Secretary
5150 Department of the Interior

Ext. 706

Department of Agriculture

Mr. Milan D. Smith
Executive Assistant to the Secretary
200 Administration Building

Private Ext. 4750
Regular Ext. 3631

Department of Commerce

Mr. Richard Hall
Special Assistant to the Secretary
Room 5842 Department of Commerce

Ext. 4951

Department of Labor

Mr. John J. Gilhooley
Executive Assistant to the Secretary
3136 Department of Labor

Ext. 3

Department of Health, Education, and Welfare

Mr. Terence P. Scantlebury
Secretary to the Departmental Council
Room 5267, North Building

Ext. 8403

Assisted by:
Mr. Ray Coffman
Ass't. Secretary, Departmental Council
Room 5267

Ext. 4513 or 4514

Foreign Operations Administration

Mr. Joseph Toner
Executive Secretary
328 Executive Office Building

Ext. 2864

Assisted by:
Miss Alice May
Special Assistant to the
Executive Secretary
Room 327 E.O.B.

Ext. 610

Bureau of the Budget

Dr. Ralph Reid
Assistant to the Director
246 Executive Office Building

Ext. 742

Office of Defense Mobilization

Mr. Joseph Vaughan
Staff Secretary
105 Executive Office Building

Ext. 547

U.S. Mission, United Nations (USUN)

Mr. Frank McCarthy
Special Assistant to Ambassador Lodge
2 Park Avenue
New York 16, N. Y.
(Mail via Dept. of State Pouch)

Civil Service Commission

Mr. Pierce Gerety
General Counsel
259 CSC Building

Ext. 5468

Operations Coordinating Board

Mr. Livingston L. Satterthwaite
Deputy Executive Officer
708 Jackson Place

Ext. 3877

Assisted by:
Mr. Charles E. Johnson
Executive Assistant
708 Jackson Place

Ext. 3651

The White House Office

Mr. Maxwell M. Rabb
Secretary to the Cabinet

Col. Andrew J. Goodpaster
Staff Secretary

Mr. L. Arthur Minnich, Jr.
Assistant Staff Secretary

Mr. Bradley H. Patterson, Jr.
Assistant to the Cabinet Secretary

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 3-17-77

MINUTES OF CABINET MEETING

January 28, 1955
9:45 A.M. - 12:00 NOON

The following were present:

The President

Vice President Nixon
Under Sec. of State Hoover
  (for Sec. Dulles)
Under Sec. of Treasury Folsom
  (for Sec. Humphrey)
Sec. Wilson, and
  Deputy Sec. Anderson, in part
Mr. Brownell
Mr. Summerfield
Sec. McKay
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Director Hughes
Gov. Stassen
Dr. Flemming, and
  Mr. Charles Kendall, in part
Chairman Young
Dr. Burns

Mr. Robert Murray, in part
Mr. Arthur Page, Commerce, in part
Mr. Arthur C. Schier, General
  Foods, in part

Gov. Adams
Gen. Persons
Mr. Rockefeller
Mr. Hagerty
Mr. Murray Snyder
Dr. Hauge
Mr. Martin
Mr. McCann
Mr. Rabb
Mr. Minnich

AEC-TVA Power Contract - The President called attention to the Congressional Committee effort, on a purely partisan basis, to prevent the Dixon-Yates contract from taking effect. He cited the serious consequences of burying the project since critically needed power would be lost -- as also a contract which was better for the Government by a million dollars than any other obtainable. He said it was a tricky question as to whether to attempt to bull the project through or to withdraw and allow the Valley to suffer from lack of power.

Later in the meeting the President told the Vice President he had just advised the Republican members to stand firm in Committee on the Dixon-Yates matter. The Vice President voiced approval.

Energy Resources Policy (CP-19/2) - Dr. Flemming went quickly over this revised report, except in regard to controversial items where he reviewed background and read the recommendations in full.

With regard to Recommendation 1, Mr. Folsom noted the revision in language

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 3-17-77

and pointed out that attention will be devoted to having bills introduced by Democrats. Mrs. Hobby suggested that considerable time elapse after the introduction of such a bill before this report should be released. The President was interested in making a clearer statement of protecting consumer interests in connection with the fourth paragraph, and Mr. Anderson suggested the addition of the phrase "in order that consumers may be protected against unreasonable price" at the end of the paragraph.

Concerning Recommendation 4, the President questioned why the ratio of imports should be based upon production rather than upon the expanding market. Mr. Hoover expressed dissatisfaction with this base and hoped that further studies would eventually allow selection of a different base. Mr. Anderson agreed on the desirability of a different base and suggested that the reports on monthly consumer demand would be suitable. It was agreed to continue to look for a suitable future revision. Mr. Weeks repeated his argument of last week against this action, since it discouraged efficiency change-overs from one type of fuel to another. The President believed it was not a matter of rival types of fuel but rather one of imports rivaling domestic production. He cited the difference of interests between the domestic producers and the five major oil companies having large holdings abroad. Mr. Weeks agreed he may not have had the full facts. Mr. Wilson tended to favor less governmental influence and more dependence on the operation of a free market economy.

The Attorney General suggested, and Dr. Flemming agreed, that it would be desirable to add an explanatory sentence at the end of the third paragraph.

Mrs. Hobby suggested the word "limited" at the end of the first sentence of the fourth paragraph. It was revised to read "kept in this balance".

The President referred to an old suggestion of his, which never obtained any support, for importing oil for storage in wells now exhausted. He recalled also certain previous discussions on the possibility of a Western Hemisphere arrangement which proved unfeasible because of the existence of the 'most favored nation' clause in our trade agreements.

The discussion of this recommendation concluded with the President's remark that the Committee's solution seemed to be the best available.

Sec. Weeks noted that the 9th Recommendation had now been coordinated with the Transport Committee and was acceptable.

Mr. Flemming suggested that Recommendation 10-a might be deleted to remove any inconsistency involved in relation to the oil recommendations. At Mr. Stassen's suggestion, 10-a was retained but the word "unreasonable" was inserted prior to "discrimination".

Sec. Wilson questioned the need for the final paragraph of the report concerning coordination with ODM. Dr. Flemming explained that Defense procedures were admirable and that the difficulty rested with TVA and AEC.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 3-17-77

Dr. Flemming then noted that Cabinet and Presidential approval of this report was not being requested but rather that it was presented to insure broad agreement on principles, and it would be released as a report of the Cabinet Committee alone. The President accepted it on that basis.

Defense Mobilization Policies - Dr. Flemming reported approval on the outcome of a Defense Mobilization Board meeting last Monday when it was agreed that, in order to avoid inflationary pressures connected with the current international situation, it would be desirable to delay for at least thirty days submission of the Defense Production Act legislation request, to undertake to ease the situation with regard to the civilian supply of certain metals, and to bring together quickly from the agencies concerned their plans for operations in an emergency.

Transportation Message (CP-6/1) - Sec. Weeks presented the proposed Message to Congress and called attention to revisions agreed upon subsequent to issuance of the Cabinet paper. Except for the revised page 4, these revisions consisted of removing any specific recommendations by the President and substituting somewhat impersonal language.

Sec. Benson indicated that he now agreed with the language pertaining to agricultural interests.

The President was concerned over the provision in the middle of page 4 involving discontinuation of certain facilities. He wished to protect against the isolation of any communities. Mr. Weeks and Mr. Page assured him that the ICC could exercise discretion and that modern roads almost completely eliminated any chance of isolation.

Sec. Weeks concluded his summation of the report with an indication of the difficulty of putting the recommendations into effect. He recalled that the Administration had taken on difficult projects before, such as the agricultural legislation of 1954. He noted charges that the report was pro-railroad, to which he frankly admitted. He believed this justified by the urgent need for action to avoid falling back on a dole or Government ownership of the indispensable railroad system.

Mr. Hughes called attention to a paragraph which seemed to close out the highway program even before it could be submitted to Congress. Mr. Weeks said that the Committee desired to study further the highway program as regards the distribution of costs. Mr. Wilson expressed his favor for the gasoline tax as the correct measure of use of a facility rather than tolls. He also urged "straightening out" the 10% transportation tax, a wartime measure.

The Attorney General asked about the timing of the message and indicated the need for having Justice's Anti-Trust Division look over the recommendations. The President said that time would have to be provided for such review. The President then added that Federal activity in regard to roads was on a different basis than many other matters. He believed railroads essential to defense, as are also highways. He cited too the predominant Federal interest in a postal system where coordination was so necessary. Mr. Folsom noted the subsidy of the Merchant Marine and Sec. Wilson cited

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By gHC NLE, Date 8-5-76
The Dwight D. Eisenhower Library

the evacuation requirement for good highways. The President thoughtthe statement on eliminating financial aids to any form of transportation was something of a gratuitous philosophical observation. Gov. Stassen thought such a gratuity would hamper the effort to help the railroads.

Mr. Murray spoke in favor of a "user" tax, to which the President took exception. Sec. Wilson advised against inclusion of the all-inclusive statement. Mr. Hughes suggested that even though the Cabinet all favored the principle underlying the general statement, expression of it would require so many qualifications that it might better be omitted. Mr. Page and Sec. Weeks suggested alternative wording, and the President directed Mr. Weeks to review it and bring it in later for discussion.

Sec. Mitchell questioned the desirability of formalizing Cabinet Committees to the extent of using them as a vehicle for Messages to Congress. The President voiced his own doubts about personally recommending programs in great detail when only a large group of experts were masters of the detail. The Attorney General did not believe the President should be put out on a limb on this program.

The President then stated his support of the basic principles involved even though he thought the approach might be altered in the interests of securing the best effect. He thought the technique used in forwarding the Economic Report to Congress might be best.

The President thought it possible to divorce the Cabinet from the name of the Committee and the report. Sec. Mitchell described the weakness of his position with the railroad unions as a result of being a member of this Committee.

Gen. Persons emphasized the need for coordination with the Republican leadership and perhaps also the Democratic leadership in order to head off a probable controversy. Mr. Brownell disagreed with the views expressed by Mr. Murray and Mr. Page on the likelihood of general acceptance of the recommendation. Mr. Flemming believed the Administration should emphasize the one major change contained in the declaration of policy and subordinate specific recommendations.

It was suggested that Sec. Weeks might wish to try out the subject matter of the report in his forthcoming speech in Chicago. It was agreed that advance legislative coordination would be required and that no message could be sent prior to Wednesday, February 9th.

The Attorney General referred to the reference on the Air Policy report and suggested that it constituted Cabinet subscription to that report when the Cabinet had not been consulted.

The President concluded his remarks by repeating Dr. Flemming's suggestion on the wisdom of avoiding numerous controversial specific recommendations in the interests of promoting one basic principle.

Attorney General's Report - The Attorney General briefly called attention to the report on anti-discrimination measures (CP-11). He cited particularly the difficulties developing in regard to housing matters and suggested that an informal group be found to look into this problem. The

President emphasized his determination that the Federal Government in its own acts must not differentiate among people on the basis of race or color, but he held a more reserved position in regard to "indirect" activities such as loan guarantee programs for private housing. Mr. Rabb called attention to the situation in Levittown, Pennsylvania. The President thought it highly improper for the Federal Government to lend money where one man by himself could bar a race from a whole community. Gov. Adams informed the Cabinet that action was already underway to reconstitute the Housing Advisory Committee which had been active in 1953, and he suggested that this Committee could call upon the Attorney General and other Cabinet members for advice. The President voiced considerable uneasiness over rumblings against the housing program in general and wanted an early thorough review of it by disinterested people. Gov. Stassen suggested that difficulties in the housing area might be eased were it possible to expose the deliberate intent of Communist ringleaders to stir up trouble -- as at Louisville.

Mr. Rabb invited the special attention of the Cabinet to this report in view of the contrast it afforded between the quiet success of this Administration and the noisy lack of accomplishment of the previous one.

Sec. Wilson referred briefly to the complication in the Reserve Program caused by discriminatory policies in certain National Guard organizations. The President believed that there were many shortcomings in the National Guard system. Both he and Sec. Wilson took note of the insuperable pressures for continued existence of the Guard.

In regard to the "wetbacks" matter (CP-12), the Attorney General commended Gen. Swing for his fine handling of the movement of large numbers of wetbacks into Mexico. He then called the Cabinet's attention to the negotiation between Justice and HEW with regard to the manner the latter might assist in enforcement of the "wetback" and alien laws.

Sec. Wilson urged the Administration to make every effort toward improving our relations with Mexico. The Attorney General, Mr. Hoover, Gov. Stassen, and Sec. Benson all commented on recent examples of improvement in relations. Sec. Mitchell pointed out the political repercussion which might result should Justice fail to introduce the "wetback" enforcement legislation it had submitted last year.

With regard to the paper on the study of the anti-trust laws (CP-13), the Attorney General merely reported the procedures which would be followed in developing this subject prior to submission to the Cabinet.

Reference to the study on jurisdiction of Federal areas within the states (CP-14) was turned very quickly into a discussion of the extent of Federal land holdings. The President stated his great interest in avoiding purchases of land and in returning surplus holdings. Mr. Hughes described the study which the Bureau of the Budget is currently directing, and he sought the strong interest of Cabinet heads in order to insure the success of the study. The President re-affirmed his own deep interest in making this study successful, and then discussed the unusability of Ft. Logan which might better just be handed over to the State of Colorado.

LAM
L. A. Minnich, Jr.

Distribution
Mrs. Whitman
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

This is Copy No. 44

CP - 19/1

January 25, 1955

The White House

Washington

THE CABINET

Energy Supplies and Resources Policy - Report of the Cabinet Committee (Revised)

For consideration by the Cabinet, attached is a copy of the revised Report of the Cabinet Committee on Energy Supplies and Resources Policy.

This paper has been revised as requested at the Cabinet Meeting of January 21 (RA - 10); further revisions have also been made subsequently during several sessions of the Committee.

The paper is being submitted again for (a) final review by the Cabinet Committee and (b) the concurrence of the Cabinet and approval by the President.

At the coming Cabinet Meeting the question of the publication of this Report will also be under discussion.

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
E.O. 11652, Sec. 11
MR 77-151 #4
By Date 10/25/77

CABINET PAPER

For Consideration

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED This is Copy No. 44

Property of the White House—For Authorized Persons Only

January 25, 1955

REPORT OF THE

CABINET COMMITTEE ON ENERGY SUPPLIES AND RESOURCES POLICY

INTRODUCTION

The importance of energy to a strong and growing economy is clear. As conditions of supplies and reserves of coal, oil and natural gas change and as both defense and peacetime requirements come more clearly into focus, the bearing of Government policies upon energy needs re-examination.

What degree and kind of public regulation is appropriate to the present situation and future outlook? What trade policies for energy supplies will most effectively express the overlapping national needs for adequate protectable supplies in case of war and for encouragement of economic growth of this country and friendly countries elsewhere in the world? What steps may be taken to improve the economic position of the coal industry, now seriously depressed, without penalizing competing industries, as a means of enhancing the ability of that industry to contribute to the national defense? More particularly, should specific changes be made in tax, freight rate, research, government purchasing, or other policies in the energy field?

These and other policy questions press for careful review and decision.

The Cabinet Committee on Energy Supplies and Resources Policy has studied the problems and reached certain conclusions. Its recommendations, arrived at after much discussion, are set out briefly in this report. The Committee has been aided greatly by the work of its Task Force (described later), which in the introduction to its report stated:

Throughout the course of its economic growth this Nation has depended upon ever increasing supplies of energy, especially from coal, oil and gas. On the average each person now consumes nearly twice as much energy from these sources as a person fifty years ago, and over 1¼ as much as a person twenty-five years ago. Coal, oil and gas now constitute three vital industries basic to our whole industrial system. These industries employ about one million persons, produce 1½ billion tons in coal equivalent of energy a year, account annually for more than $5 billion of investment and contribute nearly $11 billion a year to the total national production.

Within the rapid and persistent rise in use of energy, the fortunes of coal, oil and gas have varied. Fifty years ago coal furnished 88%; today coal's share has dropped to 33%. Oil has grown from 6% a half century ago to 41% now and is the largest single source of energy. Gas has risen meteorically in the last two or three decades from virtually nothing to a point where it provides one-fourth of the total. Water power has varied between 3 and 5 percent.

Within this broad framework of growth and change direct Government policies have been confined to specific matters. Government has long played a role in the establishement and enforcement of safety standards in the coal industry. Certain aspects of the coal and gas industries, notably pipeline transportation, have come under Government regulation. The growing awareness of conservation problems has brought forth appropriate State regulations for this purpose. The intense energy requirements for defense and war have dramatized the basic character of energy's role in the economy, with a resulting insistence upon an adequate margin of safety in energy supplies and production facilities. Building upon this general record of public policy and legislative development, it now becomes necessary to reconsider some old problems and to address some new ones.

On July 30, 1954, the President established a Cabinet Committee on Energy Supplies and Resources Policy. The Director of the Office of Defense Mobilization was designated as Chairman of this Committee and the heads of the following agencies served as members: Departments of State, Treasury, Defense, Justice, the Interior, Commerce and Labor.

The White House directive respecting the Committee's assignment included the following specific statements:

> "At the direction of the President the Committee will undertake a study to evaluate all factors pertaining to the continued development of energy supplies and resources fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.
>
> "The Committee will review factors affecting the requirements and supplies of the major sources of energy including: coal (anthracite, bituminous and lignite, as well as coke, coal tars, and synthetic liquid fuels); petroleum and natural gas."

The Cabinet Committee, after consideration, reached the conclusion that over-all energy supplies, assuming adequate incentives to development and a healthy economic climate generally, will be adequate, not only for economic growth, but also for at least the first year or two of full mobilization, should that become necessary any time during the next ten years. This would give a period of time during which special efforts could be made to increase energy supplies. It should be noted that lack of necessary data and time made it impossible to take account at this time of possible war damage.

The Cabinet Committee has been aided greatly by an able and representative Task Force appointed pursuant to the President's instructions. The Task Force participated in the Cabinet Committee's discussions and, as a whole, is in substantial agreement with the Committee's recommendations as set forth below.

RECOMMENDATIONS

The Eisenhower Library

1. Natural Gas Regulation

We believe the problem of natural gas regulation should be approached from the viewpoint of assuring adequate supplies and the discovery and development of additional reserves to support such supplies, in the interests of national defense, an expanding domestic economy, and reasonable prices to consumers.

To secure these objectives, it is essential to give due consideration to (1) the operations known as the production of natural gas, (2) the transportation of gas in interstate transmission lines, and (3) the distribution of gas in municipalities. Individual companies may engage in more than one of these activities. Each operation of such companies should be treated according to its appropriate industry function.

In the production of natural gas it is important that sound conservation practices be continued. This area of conservation management is under the jurisdiction of State conservation commissions. In the interest of a sound fuels policy and the protection of the national defense and consumer interests, in assuring such a continued exploration for and development of adequate reserves as to provide an adequate supply of natural gas, we believe the Federal Government should not control the production, gathering, processing or sale of natural gas prior to its entry into an interstate transmission line.

The interstate transmission of natural gas by interstate transmission lines, and the subsequent sale of such gas for resale is a public utility function and should be under the regulation of the Federal Power Commission. In considering the certification of new lines and applications for increased rates based on new or re-negotiated purchase contracts, the Commission should consider not only the assurance of supply, but also whether the contract prices of the natural gas which the applicant has contracted to buy are the reasonable market field prices. The same general standards of adequacy of supply and reasonableness of price should be used for gas produced by a pipeline company as for gas purchased from an independent producer.

The several states or their political sub-divisions should continue to provide the public utility regulation of distributing companies in accordance with usual utility practices.

Thus the complete cycle of natural gas production, transmission and utilization will be appropriately regulated: the production and conservation of natural gas by the State Conservation commissions; the transmission of natural gas by the Federal Power Commission; and the distribution by the local public utility commissions.

2. Sales Below Cost by Interstate Pipeline Companies

The basic principle regarding the regulation of natural gas and the use of alternative energy sources should be as far as possible that of free choice by the consumer and free and fair competition among suppliers. This, it is confidently thought, will provide most effectively for the assurance and flexibility of energy supply, both for economic growth and strong security readiness. But sales either for resale or direct consumption below actual cost plus a fair proportion of fixed charges which drive out competing fuels constitute unfair competition and are inimical to a sound fuels economy.

The Committee recommends, therefore, that legislation be proposed that will prohibit sales by interstate pipelines either for resale or for direct consumption, which drive out competing fuels because the charges are below actual cost plus a fair proportion of fixed charges.

3. Eminent Domain for Natural Gas Storage

The power of eminent domain for the acquisition of surface and mineral rights for the development of underground storage reservoirs should be granted subject to appropriate safeguards to protect the public safety, including the mining industry.

4. Crude Oil Imports and Residual Fuel Oil Imports

An expanding domestic oil industry, plus a healthy oil industry in friendly countries which help to supply the United States market, constitute basically important elements in the kind of industrial strength which contributes most to a strong national defense. Other energy industries, especially coal, must also maintain a level of operation which will make possible rapid expansion in output should that become necessary. In this complex picture both domestic production and imports have important parts to play; neither should be sacrificed to the other.

Since World War II importation of crude oil and residual fuel oil into the United States has increased substantially, with the result that today these oils supply a significant part of the U.S. market for fuels.

The Committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense.

In view of the foregoing, the Committee concludes that in the interest of national defense imports should be limited. It is highly desirable that this be done by voluntary, individual action of importers. Every effort should be made to avoid the necessity of governmental intervention.

The Committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, appropriate action should be taken.

The Committee recommends further that the desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

In arriving at these conclusions and recommendations, the Committee has taken into consideration the importance to the economies of friendly countries of their oil exports to the United States as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

5. Petroleum Refining Capacity

The Departments of Defense and the Interior should have studies made by their staffs and expert advisors as to the adequacy of present and prospective refinery capacity, both as to amount and dispersal, as well as other factors, to determine the need for any measures to maintain refinery capacity necessary for defense purposes, particularly the capacity operated by small, independent refineries.

6. Tax Incentives

a. Present tax provisions on coal, oil and gas production have been an important factor in encouraging development of energy sources at a pace about in keeping with demand. Further analysis and study by the appropriate branches of the Government should from time to time be made to review the amount and method of making such allowances to maintain proper relationships with continuing changes in other features of the tax law. Any changes which may be proposed in the future must be analyzed in terms of their probable effect on development of domestic resources needed for economic progress and national defense as well as the fiscal and tax policies of the Government.

b. Retroactive tax legislation and special relief provisions should be avoided.

c. Accelerated amortization should be used only to insure the maintenance of a sound mobilization base for energy supplies.

7. Research and Development Program for Coal

We recognize that coal is a great national asset and endorse a cooperative study to determine what research and development could be undertaken. The coal industry and both Federal and State governments should participate in this study and its cost.

8. Unemployment and Business Distress in the Coal Industry

We recognize that serious unemployment and business distress exist in the coal industry and recommend that the Interdepartmental Committee on the Soft Coal Industry be continued for the purpose of developing for Cabinet consideration specific action programs to alleviate these conditions.

9. Coal Freight Rates

In order to maintain coal's vitality as an instrument of national defense by improving currently its ability to compete with other fuels, the railroads, by voluntary action, and, in the absence thereof, the Interstate Commerce Commission, by compulsory order, should adjust freight rates to the extent necessary to remove the excessive and disproportionate contribution that coal rates are making to meet the cost of other unprofitable services of the railroad industry. Train load rates should be established to reflect the lower costs of such service.

10. Coal Exports

a. The Government should urge foreign governments to reduce discriminatory restrictions against imports of U.S. coal.

b. The Government, when making foreign loans, should use its best efforts to obtain provisions to prevent discrimination against U. S. coal. Discrimination would be judged to exist when U. S. coal imports are disallowed despite its availability at costs no higher than foreign coal.

c. The Government should expedite efforts to establish credits through the Export-Import Bank to foreign banking institutions in countries where there is reasonable prospect of repayment so that American coal exporters can offer more competitive payment terms to foreign customers.

d. Where U. S. coal can be supplied competitively with other available coal, the Government should use its best efforts to enlarge the participation of U. S. coal in the foreign aid program.

e. The Government should compensate for higher shipping costs when incurred as a result of the requirement that 50 percent of all shipments be in United States ships at fair and reasonable United States market rates.

11. Mobilization Requirements for Coke

The Committee believes that present and prospective rates of shutdown and dismantling of slot-type coke ovens will leave inadequate coking capacity to support full mobilization production of steel and other essential war-time industry.

On the basis of national security, coke requirements can only be met if the Office of Defense Mobilization is directed to prepare plans to make the necessary arrangements and tests to rapidly expand coke production in the case of an emergency.

12. Government Fuel Purchasing Policy

In working out a more consistent and equitable coal purchase policy, the following steps should be taken:

a. The Secretary of Labor under the Walsh-Healy Act should pursue his present policy of making determinations of wage standards applicable in the coal producing areas and should establish these standards at the earliest practicable date.

b. The Government agencies shall, to the extent practicable, purchase not less than 75 percent of their estimated annual coal requirements on a contract basis.

c. All Government agencies purchasing coal shall, prior to and after the award of the contract, verify the quality of the coal offered and supplied to the agencies.

d. All Government contracts for the purchase of coal shall contain appropriate escalator clauses which protect the buyer and the seller.

e. In instances where it is not possible for a Government agency to take all the coal for which it has contracted, the deficit shall be apportioned equitably among all participating contract suppliers without penalty to the Government.

f. Coal suppliers shall be required to submit, along with their bids, proof of their ability to produce the requirements at the time the contract is awarded.

g. All coal suppliers to the Government, regardless of size, shall comply with the Federal Coal Mine Safety Act.

h. All transactions with the Government relating to coal purchases and supply shall be public information.

i. The domestic fuel purchasing policies set forth above shall be applied to purchases of coal by companies acting as agents for the Federal government, as well as to purchases made direct by Government agencies.

Prior to the purchase of any fuel by a Federal government agency, having a large annual use of fuel, that agency should request advice from ODM as to how this purchase can contribute to the maintenance of a strong mobilization base within the domestic fuels industry. ODM should be directed by Executive Order to develop a mechanism for accomplishing this objective.

######

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

This is Copy No. 01

CP - 19/2

January 27, 1955

The White House

Washington

THE CABINET

Energy Supplies and Resources Policy -

Report of the Cabinet Committee (Revised)

For consideration by the Cabinet, attached is a copy of the revised Report of the Cabinet Committee on Energy Supplies and Resources Policy.

This paper has been revised as requested at the Cabinet Meeting of January 21 (RA - 10); further revisions have also been made subsequently during several sessions of the Committee.

The paper is being submitted again for review by the Cabinet.

It is recommended that the report be noted by the Cabinet, that in view of the complex nature of the issues, the President request the Committee to continue its study of the details of these issues, and that appropriate arrangements be made for the publication of the Committee's Report.

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
E.O. 11652, Sec. 11
MR 77-151 #3
By Date 10/21/77

CABINET PAPER

For Consideration

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

This is Copy No. 01

January 27, 1955

REPORT OF THE

CABINET COMMITTEE ON ENERGY SUPPLIES AND RESOURCES POLICY

INTRODUCTION

The importance of energy to a strong and growing economy is clear. As conditions of supplies and reserves of coal, oil and natural gas change and as both defense and peacetime requirements come more clearly into focus, the bearing of Government policies upon energy needs re-examination.

What degree and kind of public regulation is appropriate to the present situation and future outlook? What trade policies for energy supplies will most effectively express the overlapping national needs for adequate protectable supplies in case of war and for encouragement of economic growth of this country and friendly countries elsewhere in the world? What steps may be taken to improve the economic position of the coal industry, now seriously depressed, without penalizing competing industries, as a means of enhancing the ability of that industry to contribute to the national defense? More particularly, should specific changes be made in tax, freight rate, research, government purchasing, or other policies in the energy field?

These and other policy questions press for careful review and decision.

On July 30, 1954, the President established a Cabinet Committee on Energy Supplies and Resources Policy. The Director of the Office of Defense Mobilization was designated as Chairman of this Committee and the heads of the following agencies served as members: Departments of State, Treasury, Defense, Justice, the Interior, Commerce and Labor.

The White House directive respecting the Committee's assignment included the following specific statements:

> "At the direction of the President the Committee will undertake a study to evaluate all factors pertaining to the continued development of energy supplies and resources fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.
>
> "The Committee will review factors affecting the requirements and supplies of the major sources of energy including: coal (anthracite, bituminous and lignite, as well as coke, coal tars, and synthetic liquid fuels); petroleum and natural gas."

The Cabinet Committee has been aided greatly by an able and representative Task Force appointed pursuant to the President's instructions. The Committee's recommendations are set forth below.

CABINET PAPER

For Consideration

RECOMMENDATIONS

1. Natural Gas Regulation

We believe the problem of natural gas regulation should be approached from the viewpoint of assuring adequate supplies and the discovery and development of additional reserves to support such supplies, in the interests of national defense, an expanding domestic economy, and reasonable prices to consumers.

To secure these objectives, it is essential to give due consideration to (1) the operations known as the production of natural gas, (2) the transportation of gas in interstate transmission lines, and (3) the distribution of gas in municipalities. Individual companies may engage in more than one of these activities. Each operation of such companies should be treated by like criteria according to its appropriate industry function.

In the production of natural gas it is important that sound conservation practices be continued. This area of conservation management is under the jurisdiction of State conservation commissions. In the interest of a sound fuels policy and the protection of the national defense and consumer interests, in assuring such a continued exploration for and development of adequate reserves as to provide an adequate supply of natural gas, we believe the Federal Government should not control the production, gathering, processing or sale of natural gas prior to its entry into an interstate transmission line.

The interstate transmission of natural gas by interstate transmission lines, and the subsequent sale of such gas for resale is a public utility function and should be under the regulation of the Federal Power Commission. In considering the certification of new lines and applications for increased rates based on new or re-negotiated purchase contracts, the Commission should consider not only the assurance of supply, but also whether the contract prices of the natural gas which the applicant has contracted to buy are the reasonable market field prices.

The several states or their political sub-divisions should continue to provide the public utility regulation of distributing companies in accordance with usual utility practices.

Thus the complete cycle of natural gas production, transmission and utilization will be appropriately regulated: the production and conservation of natural gas by the State conservation commissions; the interstate transmission of natural gas by the Federal Power Commission; and the distribution by the local public utility commissions.

2. Sales Below Cost by Interstate Pipeline Companies

The basic principle regarding the regulation of natural gas and the use of alternative energy sources should be as far as possible that of free choice by the consumer and free and fair competition among suppliers. This, it is confidently thought, will provide most effectively for the assurance and flexibility of energy supply, both for economic growth and strong security readiness. But sales either for resale or direct consumption below actual cost plus a fair proportion of fixed charges which drive out competing fuels constitute unfair competition and are inimical to a sound fuels economy.

The Committee recommends, therefore, that legislation be proposed that will prohibit sales by interstate pipelines either for resale or for direct consumption, which drive out competing fuels because the charges are below actual cost plus a fair proportion of fixed charges.

3. Eminent Domain for Natural Gas Storage

The power of eminent domain for the acquisition of surface and mineral rights for the development of underground storage reservoirs should be granted subject to appropriate safeguards to protect the public safety, including the mining industry.

4. Crude Oil Imports and Residual Fuel Oil Imports

An expanding domestic oil industry, plus a healthy oil industry in friendly countries which help to supply the United States market, constitute basically important elements in the kind of industrial strength which contributes most to a strong national defense. Other energy industries, especially coal, must also maintain a level of operation which will make possible rapid expansion in output should that become necessary. In this complex picture both domestic production and imports have important parts to play; neither should be sacrificed to the other.

Since World War II importation of crude oil and residual fuel oil into the United States has increased substantially, with the result that today these oils supply a significant part of the U. S. market for fuels.

The Committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense.

In view of the foregoing, the Committee concludes that in the interest of national defense imports should be limited. It is highly desirable that this be done by voluntary, individual action of those who are importing or those who become importers of crude or residual oil. The Committee believes that every effort should be made and will be made to avoid the necessity of governmental intervention.

The Committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, appropriate action should be taken.

The Committee recommends further that the desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

In arriving at these conclusions and recommendations, the Committee has taken into consideration the importance to the economies of friendly countries of their oil exports to the United States as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

5. Petroleum Refining Capacity

The Departments of Defense and the Interior should have studies made by their staffs and expert advisors as to the adequacy of present and prospective refinery capacity, both as to amount and dispersal, as well as other factors, to determine the need for any measures to maintain refinery capacity necessary for defense purposes, particularly the capacity operated by small, independent refineries.

6. Tax Incentives

a. Present tax provisions on coal, oil and gas production have been an important factor in encouraging development of energy sources at a pace about in keeping with demand. Further analysis and study by the appropriate branches of the Government should from time to time be made to review the amount and method of making such allowances to maintain proper relationships with continuing changes in other features of the tax law. Any changes which may be proposed in the future must be analyzed in terms of their probable effect on development of domestic resources needed for economic progress and national defense as well as the fiscal and tax policies of the Government.

b. Retroactive tax legislation and special relief provisions should be avoided.

c. Accelerated amortization should be used only to insure the maintenance of a sound mobilization base for energy supplies.

7. Research and Development Program for Coal

We recognize that coal is a great national asset and endorse a cooperative study to determine what research and development could be undertaken. The coal industry and both Federal and State governments should participate in this study and its cost.

8. Unemployment and Business Distress in the Coal Industry

We recognize that serious unemployment and business distress exist in the coal industry and recommend that the Interdepartmental Committee on the Soft Coal Industry be continued for the purpose of developing for Cabinet consideration specific action programs to alleviate these conditions.

9. Coal Freight Rates

In order to maintain coal's vitality as an instrument of national defense by improving currently its ability to compete with other fuels, the railroads, by voluntary action, and, in the absence thereof, the Interstate Commerce Commission, by compulsory order, should adjust freight rates to the extent necessary to remove the excessive and disproportionate contribution that coal rates are making to meet the cost of other unprofitable services of the railroad industry. Train load rates should be established to reflect the lower costs of such service.

10. Coal Exports

a. The Government should urge foreign governments to reduce discriminatory restrictions against imports of U. S. coal. [illegible]

b. The Government, when making foreign loans, should use its best efforts to obtain provisions to prevent discrimination against U. S. coal. Discrimination would be judged to exist when U.S. coal imports are disallowed despite its availability at costs no higher than foreign coal.

c. The Government should expedite efforts to establish credits through the Export-Import Bank to foreign banking institutions in countries where there is reasonable prospect of repayment so that American coal exporters can offer more competitive payment terms to foreign customers.

d. Where U. S. Coal can be supplied competitively with other available coal, the Government should use its best efforts to enlarge the participation of U. S. coal in the foreign aid program.

e. The Government should compensate for higher shipping costs when incurred as a result of the requirement that 50 percent of all shipments be in United States ships at fair and reasonable United States market rates.

11. Mobilization Requirements for Coke

The Committee believes that present and prospective rates of shutdown and dismantling of slot-type coke ovens will leave inadequate coking capacity to support full mobilization production of steel and other essential war-time industry.

On the basis of national security, coke requirements can only be met if the Office of Defense Mobilization is directed to prepare plans to make the necessary arrangements and tests to expand coke production rapidly in the case of an emergency.

12. Government Fuel Purchasing Policy

In working out a more consistent and equitable coal purchase policy, the following steps should be taken:

a. The Secretary of Labor under the Walsh-Healy Act should pursue his present policy of making determinations of wage standards applicable in the coal producing areas and should establish these standards at the earliest practicable date.

b. The Government agencies shall, to the extent practicable, purchase not less than 75 percent of their estimated annual coal requirements on a contract basis.

c. All Government agencies purchasing coal shall, prior to and after the award of the contract, verify the quality of the coal offered and supplied to the agencies.

d. All Government contracts for the purchase of coal shall contain appropriate escalator clauses which protect the buyer and the seller.

e. In instances where it is not possible for a Government agency to take all the coal for which it has contracted, the deficit shall be apportioned equitably among all participating contract suppliers without penalty to the Government.

f. Coal suppliers shall be required to submit, along with their bids, proof of their ability to produce the requirements at the time the contract is awarded.

g. All coal suppliers to the Government, regardless of size, shall comply with the Federal Coal Mine Safety Act.

h. All transactions with the Government relating to coal purchases and supply shall be public information.

i. The domestic fuel purchasing policies set forth above shall be applied to purchases of coal by companies acting as agents for the Federal government, as well as to purchases made direct by Government agencies.

Prior to the purchase of any fuel by a Federal Government agency having a large annual use of fuel, that agency should request advice from ODM as to how this purchase can contribute to the maintenance of a strong mobilization base within the domestic fuels industry. ODM should be directed by Executive Order to develop a mechanism for accomplishing this objective.

######

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 19/3

February 26, 1955

THE WHITE HOUSE

Washington

The Cabinet

Energy Supplies and Resources Policy -
Final Report of the Presidential Advisory Committee

The attached paper is the final version of the Report of the Presidential Advisory Committee (formerly the Cabinet Committee) on Energy Supplies and Resources Policy.

This Report has been issued as a White House Press Release, of this date.

The Report and the publication thereof represent the outcome of the Cabinet's action of January 28, 1955 (RA - 11, Item 1; cf also RA - 10, Item 1).

Maxwell M. Rabb
Secretary to the Cabinet

For Release at 11:00 A.M., February 26, 1955

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

REPORT ON ENERGY SUPPLIES AND RESOURCES POLICY

INTRODUCTION

The importance of energy to a strong and growing economy is clear. As conditions of supplies and reserves of coal, oil and natural gas change and as both defense and peacetime requirements come more clearly into focus, the bearing of Government policies upon energy needs re-examination.

What degree and kind of public regulation is appropriate to the present situation and future outlook? What trade policies for energy supplies will most effectively express the overlapping national needs for adequate protectable supplies in case of war and for encouragement of economic growth of this country and friendly countries elsewhere in the world? What steps may be taken to improve the economic position of the coal industry, now seriously depressed, without penalizing competing industries, as a means of enhancing the ability of that industry to contribute to the national defense? More particularly, should specific changes be made in tax, freight rate, research, government purchasing, or other policies in the energy field?

These and other policy questions press for careful review and decision.

On July 30, 1954, the President established an Advisory Committee on Energy Supplies and Resources Policy. The Director of the Office of Defense Mobilization was designated as chairman and the heads of the following agencies served as members: Departments of State, Treasury, Defense, Justice, the Interior, Commerce and Labor.

The White House directive respecting the committee's assignment included the following specific statements:

> "At the direction of the President the committee will undertake a study to evaluate all factors pertaining to the continued development of energy supplies and resources fuels in the United States, with the aim of strengthening the national defense, providing orderly industrial growth, and assuring supplies for our expanding national economy and for any future emergency.
>
> "The committee will review factors affecting the requirements and supplies of the major sources of energy including: coal (anthracite, bituminous and lignite, as well as coke, coke tars, and synthetic liquid fuels); petroleum and natural gas."

The committee has been aided greatly by an able and representative task force appointed pursuant to the President's instructions. The committee's recommendations are set forth below.

more

RECOMMENDATIONS

1. Natural Gas Regulation

We believe the problem of natural gas regulation should be approached from the viewpoint of assuring adequate supplies and the discovery and development of additional reserves to support such supplies, in the interests of national defense, an expanding domestic economy, and reasonable prices to consumers.

To secure these objectives, it is essential to give due consideration to (1) the operations known as the production of natural gas, (2) the transportation of gas in interstate transmission lines, and (3) the distribution of gas in municipalities. Individual companies may engage in more than one of these activities. Each operation of such companies should be treated by like criteria according to its appropriate industry function.

In the production of natural gas it is important that sound conservation practices be continued. This area of conservation management is under the jurisdiction of State conservation commissions. In the interest of a sound fuels policy and the protection of the national defense and consumer interests by assuring such a continued exploration for and development of adequate reserves as to provide an adequate supply of natural gas, we believe the Federal Government should not control the production, gathering, processing or sale of natural gas prior to its entry into an interstate transmission line.

The interstate transmission of natural gas by the interstate transmission lines and the subsequent sale of such gas for resale is a public utility function and should be under the regulation of the Federal Power Commission. In considering the certification of new lines and applications for increased rates based on new or renegotiated purchase contracts, the Commission should consider, in order to provide protection for the consumer, not only the assurance of supply but also whether the contract prices of the natural gas which the applicant has contracted to buy are competitively arrived at and represent the reasonable market field price, giving due consideration, in the interest of competition, to the reasonableness and appropriateness of contract provisions as they relate to existing or future market field prices.

The several states or their political sub-divisions should continue to provide the public utility regulation of distributing companies in accordance with usual utility practices.

Thus the complete cycle of natural gas production, transmission and utilization will be appropriately regulated: the production and conservation of natural gas by the state conservation commissions; the interstate transmission of natural gas by the Federal Power Commission; and the distribution by the local public utility commissions.

2. Sales Below Cost by Interstate Pipeline Companies

The basic principle regarding the regulation of natural gas and the use of alternative energy sources should be as far as possible that of free choice by the consumer and free and fair competition among suppliers. This, it is confidently thought, will provide most effectively for the assurance and flexibility of energy supply, both for economic growth and strong security readiness. But sales either for resale or direct consumption below actual cost plus a fair proportion of fixed charges which drive out competing fuels constitute unfair competition and are inimical to a sound fuels economy.

The committee recommends, therefore, that appropriate action be taken that will prohibit sales by interstate pipelines either for resale or for direct consumption, which drive out competing fuels because the charges are below actual cost plus a fair proportion of fixed charges.

more

3. Eminent Domain for Natural Gas Storage

The power of eminent domain for the acquisition of surface and mineral rights for the development of underground storage reservoirs should be granted subject to appropriate safeguards to protect the public safety, including the mining industry.

4. Crude Oil Imports and Residual Fuel Oil Imports

An expanding domestic oil industry, plus a healthy oil industry in friendly countries which help to supply the United States market, constitute basically important elements in the kind of industrial strength which contributes most to a strong national defense. Other energy industries, especially coal, must also maintain a level of operation which will make possible rapid expansion in output should that become necessary. In this complex picture both domestic production and imports have important parts to play; neither should be sacrificed to the other.

Since World War II importation of crude oil and residual fuel oil into the United States has increased substantially, with the result that today these oils supply a significant part of the U. S. market for fuels.

The committee believes that if the imports of crude and residual oils should exceed significantly the respective proportions that these imports of oils bore to the production of domestic crude oil in 1954, the domestic fuels situation could be so impaired as to endanger the orderly industrial growth which assures the military and civilian supplies and reserves that are necessary to the national defense. There would be an inadequate incentive for exploration and the discovery of new sources of supply.

In view of the foregoing, the committee concludes that in the interest of national defense imports should be kept in the balance recommended above. It is highly desirable that this be done by voluntary, individual action of those who are importing or those who become importers of crude or residual oil. The committee believes that every effort should be made and will be made to avoid the necessity of governmental intervention.

The committee recommends, however, that if in the future the imports of crude oil and residual fuel oils exceed significantly the respective proportions that such imported oils bore to domestic production of crude oil in 1954, appropriate action should be taken.

The committee recommends further that the desirable proportionate relationships between imports and domestic production be reviewed from time to time in the light of industrial expansion and changing economic and national defense requirements.

In arriving at these conclusions and recommendations, the committee has taken into consideration the importance to the economies of friendly countries of their oil exports to the United States as well as the importance to the United States of the accessibility of foreign oil supplies both in peace and war.

5. Petroleum Refining Capacity

The Departments of Defense and the Interior should have studies made by their staffs and expert advisors as to the adequacy of present and prospective refinery capacity, both as to amount and dispersal, as well as other factors, to determine the need for any measures to maintain refinery capacity necessary for defense purposes, particularly the capacity operated by small, independent refineries.

6. Tax Incentives

a. Present tax provisions on coal, oil and gas production have been an important factor in encouraging development of energy sources at a pace about in keeping with demand. Further analysis and study by the appropriate branches of the Government should from time to time be made to review the amount and method of making such allowances to maintain proper relationships with continuing changes in other features of

more

the tax law. Any changes which may be proposed in the future must be analyzed in terms of their probable effect on development of domestic resources needed for economic progress and national defense as well as the fiscal and tax policies of the Government.

b. Retroactive tax legislation and special relief provisions should be avoided.

c. Accelerated amortization should be used only to insure the maintenance of a sound mobilization base for energy supplies.

7. Research and Development Program for Coal

We recognize that coal is a great national asset and endorse a cooperative study to determine what research and development could be undertaken. The coal industry and both Federal and State governments should participate in this study and its cost.

8. Unemployment and Business Distress in the Coal Industry

We recognize that serious unemployment and business distress exist in the coal industry and recommend that the Interdepartmental Committee on the Soft Coal Industry be continued for the purpose of developing for Cabinet consideration specific action programs to alleviate these conditions.

9. Coal Freight Rates

In order to maintain coal's vitality as an instrument of national defense by improving currently its ability to compete with other fuels, the railroads, by voluntary action, and, in the absence thereof, the Interstate Commerce Commission, by compulsory order, should adjust freight rates to the extent necessary to remove the excessive and disproportionate contribution that coal rates are making to meet the cost of other unprofitable services of the railroad industry. Train load rates should be established to reflect the lower costs of such service.

10. Coal Exports

a. The Government should urge foreign governments to reduce unreasonable discriminatory restrictions against imports of U. S. coal.

b. The Government, when making foreign loans, should use its best efforts to obtain provisions to prevent discrimination against U.S. coal. Discrimination would be judged to exist when U. S. coal imports are disallowed despite its availability at costs no higher than foreign coal.

c. The Government should expedite efforts to establish credits through the Export-Import Bank to foreign banking institutions in countries where there is reasonable prospect of repayment so that American coal exporters can offer more competitive payment terms to foreign customers.

d. Where U. S. coal can be supplied competitively with other available coal, the Government should use its best efforts to enlarge the participation of U. S. coal in the foreign aid program.

e. The Government should compensate for higher shipping costs when incurred as a result of the requirement that 50 percent of all shipments be in United States ships at fair and reasonable United States market rates.

11. Mobilization Requirements for Coke

The Committee believes that present and prospective rates of shutdown and dismantling of slot-type coke ovens will leave inadequate coking capacity to support full mobilization production of steel and other essential wartime industry.

On the basis of national security, coke requirements can only be met if the Office of Defense Mobilization is directed to prepare plans to make the necessary arrangements and tests to expand coke production rapidly in the case of an emergency.

more

12. Government Fuel Purchasing Policy

In working out a more consistent and equitable coal purchase policy, the following steps should be taken:

a. The Secretary of Labor under the Walsh-Healy Act should pursue his present policy of making determinations of wage standards applicable in the coal producing areas and should establish these standards at the earliest practicable date.

b. The Government agencies should, to the extent practicable, purchase not less than 75 percent of their estimated annual coal requirements on a contract basis.

c. All Government agencies purchasing coal should, prior to and after the award of the contract, verify the quality of the coal offered and supplied to the agencies.

d. All Government contracts for the purchase of coal should contain appropriate escalator clauses which protect the buyer and the seller.

e. In instances where it is not possible for a Government agency to take all the coal for which it has contracted, the deficit should be apportioned equitably among all participating contract suppliers without penalty to the Government.

f. Coal suppliers should be required to submit, along with their bids, proof of their ability to produce the requirements at the times specified.

g. All coal suppliers to the Government, regardless of size, should comply with the Federal Coal Mine Safety Act.

h. All transactions with the Government relating to coal purchases and supply should be public information.

i. The domestic fuel purchasing policies set forth above should be applied to purchases of coal by companies acting as agents for the Federal Government, as well as to purchases made direct by Government agencies.

Prior to the purchase of any fuel by a Federal Government agency having a large annual use of fuel, that agency should request advice from the Office of Defense Mobilization as to how this purchase can contribute to the maintenance of a strong mobilization base within the domestic fuels industry. The Office of Defense Mobilization should be directed by Executive Order to develop a mechanism for accomplishing this objective.

####

This is Copy Number: 36

CP - 6/1

January 25, 1955

The White House

Washington

THE CABINET

Special Transportation Message

For consideration by the Cabinet, attached is a copy of a draft message on transportation policy, prepared by the Cabinet Committee on Transport Policy and Organization.

This Committee submitted its original Report on December 7, 1954 (CP - 6 of December 8). In response to the Cabinet action on that paper (RA - 6, Item 1) and based on its contents, the attached document has been prepared: specific action recommendations in the form of a Special Message from the President to the Congress.

The individual recommendations of the attached paper have been identified by underscoring.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

This is Copy No. 36

SPECIAL TRANSPORTATION MESSAGE

In my State of the Union Message, on January 6, I indicated my increasing concern with the national transportation problem. This concern on my part is based on developing trends which have been apparent for some time. For this reason, on July 12, last, I established a Cabinet Committee on Transport Policy and Organization to examine existing Federal transport policies to determine their effect on the adequacy of transportation services. I designated the Secretary of Commerce, Secretary of Defense, and Director of the Office of Defense Mobilization as members of this Committee, and Secretary of the Treasury, the Postmaster General, the Secretary of Agriculture, and the Director of the Bureau of the Budget as participating members.

As indicated in my State of the Union Message, this is the first such comprehensive review directly undertaken by the Executive Branch of the Government in modern times.

In my communication to the Secretary of Commerce, whom I named as Chairman of this Cabinet Committee, I noted my deep and immediate concern with this problem in these terms:

> The vital interests of this Nation require that the transportation industry of the United States maintain itself at maximum effectiveness. The Government must provide effective leadership in assuring that its policies and programs affecting the various forms of transportation, whose services are so necessary to the public and to industry and which have such a vital bearing upon the national security, are best designed to aid them in performing fully the roles for which each is best suited.

The legislative changes which I am recommending here are the outgrowth of this Cabinet Committee's careful examination of pressing transportation problems and consideration of those policies which appeared to be most urgently in need of revision if maximum effectiveness of the Nation's transportation facilities is to be realized.

In the final analysis, the Cabinet Committee reported to me that the modern transportation problem could best be resolved by the following actions:

National regulatory policies should be amended (1) to permit greater reliance on competitive forces in transportation pricing; and (2) to assure the maintenance of a modernized and financially strong system of common carrier transportation adequate for the needs of an expanding and dynamic economy and the national security.

The end purpose of these two major policy recommendations is:

To have transportation enterprises functioning under a system of energetic competition which will speed up technical innovation and foster desirable price and service improvements.

To enable each form of transport freely to reflect its abilities in the market by aggressive experimentation in rates and service in order to demonstrate to the full its economic possibilities;

To encourage increased efficiency in carrier management in order to produce significant economies in the performance of all transportation services which, among other things, would give the ultimate consumer the benefit of the lowest possible transport cost;

To ~~guarantee~~ see that the national security will ~~never~~ not be jeopardized by an inefficient transport system during war or defense mobilization.

I am in full accord with these general objectives and am transmitting herewith specific legislative proposals designed to carry them out. I consider them of such immediate importance to our economy that I urge Congress to act upon them at this Session.

Within the short span of one generation this country has witnessed a transportation revolution. All elements of the economy have been profoundly affected - investors in transportation property, geographic regions, distribution, individual shippers, the taxpayer, the ultimate consumers of goods and services. As late as 1920, the railroads held a virtual monopoly of intercity transportation with the exception of areas served by water. In striking contrast, there is available today a wide selection of transport methods for the movement of goods and people from one place to another with economy, expedition, and safety. The individual, whether traveling for recreation or business purposes, has a choice as between the private automobile, intercity bus transportation, air transportation, and railroad travel. The shipper, whether interested in moving raw products to industrial plants or distributing finished products to a nationwide market, is free to elect the use of his own trucks, common or contract carriers by highway, a continental and physically integrated system of common carrier transportation by railroad, pipelines, coastal and intercoastal services, inland water transportation, or the rapidly developing air cargo services.

Library

In major respects, government has played a decisive role in these fast moving and dynamic changes in the organization, financing, and operation of the nation's domestic transportation services. All levels of government have participated. The states have played a dominant role in the provision of an expanding and modernized highway system, although aided by the Federal Government through a program of grants-in-aid. The Federal Government has spent vast sums of the general taxpayer's funds for the improvement of rivers and harbors. More recently it has aided materially in the development of airports, the financing and management of a nationwide system of aids to air navigation, and has advanced substantial sums of money in the form of direct financial assistance for the development of air transportation.

The overall net result is a competitive system of transportation that for all practical purposes has eliminated the monopoly element which characterized this segment of our economy some thirty years ago.

During this same period, government has intensified its interest in transportation matters through the processes of public regulation although, paradoxically, the underlying concept of this regulation has continued to be based on the historic objective of restraining monopolistic abuses, despite the fact that the power of individual transportation enterprises to exercise monopoly control has been rapidly eliminated by the growth of pervasive competition.

The dislocations which have emerged from the conflicts between the effects of governmental promotional policy on the one hand, and the restraining effects of public regulation on the other, have borne most heavily on the common carrier segment of the transportation industry. In order to correct these dislocations, I am recommending first that the declaration of policy contained in the Transportation Act of 1940 be revised to make it clear that public regulation of transport enterprises be invoked only to the extent necessary to protect common carriers, to prevent rate discrimination, and to encourage pricing which will enable each form of transportation to compete, saving only a provision that prices shall be on a compensatory basis.

In order to achieve true competitive pricing, as recommended here, it is obviously necessary to have all transportation costs reflected in the rates charged to the public. The extension of financial subsidies by government to any form of transportation runs directly counter to the accomplishment of this desirable objective. Every form of transportation, at one time or another, has been the beneficiary of government help. However, in keeping with our well-recognized principles of self-supporting private enterprise, it has also been assumed that the so-called infant industries would eventually become self-supporting. To this end I have recently subscribed to the recommendations of the Civil Air Policy Report, which among other things, called for the early and orderly elimination of direct financial aid to domestic civil aviation. By the same token, all other financial aids to any form of transportation should be eliminated as soon as feasible,* This is essential if we are to depend upon competitive forces to determine the prices and the standards of service by which transportation is to be offered to the public. Manifestly, subsidies distort this objective if one carrier's costs are borne altogether by its charges for services and another carrier's costs are borne partly by these charges and partly by subsidy at the taxpayers' expense.

* except for the expenses of transportation facilities necessary for national defense.

The States have for many years been financing the bulk of their highway development through revenues derived from highway users in the form of gasoline taxes and license fees. However, wide areas of controversy remain as to whether or not the total cost is properly allocated between the heavy-duty truck and bus operators, at one extreme, and the private automobile user at the other. This controversy will not be fully resolved until we have available more refined analysis of the joint-cost problems involved and more dependable data on the incremental cost of highway construction, engineering design, and highway use characteristics. However, objective research is moving forward in this field.

Federal financing of river and harbor improvements constitutes the one area in which no real progress has been made toward elimination of the distorted impact of preferential subsidy treatment. For all practical purposes, the elimination of subsidy elements within this area rests within the power of the Federal Government. For this reason, I am proposing specific legislation which would require that tolls be imposed on internal waterways which have been improved by the Federal Government. I am also recommending that all proposed waterway improvement projects be referred to the Department of Commerce for review and report before legislative authorization is sought.

Library

COMMON CARRIER

Our economy is based fundamentally on mass production and distribution of products throughout a continental market and cannot continue to prosper without a transportation system that is dynamic, efficient, and capable of delivering goods and people with safety, expedition, with a high degree of dependability, and at the lowest cost in the expenditure of manpower and other scarce resources. Historically, these requirements have been met most satisfactorily by common carriers, who by statute are charged with the obligation to serve all individuals and shippers alike to the extent of their physical capacities, on known schedules at published rates, and without discrimination. The availability of this type of stable and dependable service is of equal importance in the day-to-day business operations, of large and small businesses alike. The availability of this type of transportation system is essential to the orderly and healthful operation of a peacetime economy and is indispensable to the national security in the time of war.

The common carrier concept is essential to the smaller and intermittent shippers. It is essential to small business. The railroads provide common carrier service for all distances. The advantages of the motor truck for shorter hauls and special services has resulted in most of this traffic going by truck. The lower costs of the railroads for mass long haul movements has resulted in most of this traffic still going by rail. But to have common carrier service available to all people for all distances it is essential that the motor truck common carriers be encouraged. Within the trucking business they now compete with private trucks, contract trucks and exempt trucks.

The contract truck serves a useful purpose but in the interest of as free and equal competition as possible, there is no reason why the contract truck should not make public its rates so that the common carrier could compete with equal information.

In the enactment of Part II of the Interstate Commerce Act providing for the economic regulation of service by trucks, the Congress exempted from regulation trucks carrying certain agricultural products.

These exemptions have grown under court rulings so that now, for example, the I.C.C. has before it a case involving the question of whether green coffee beans and cacao beans are "exempt" commodities, although neither are produced by any farmer in this country. A continual expansion of the exemptions could destroy the fundamental purpose of the Act.

The I.C.C. which has jurisdiction in this matter has asked Congress to allow it to testify on this complex subject. I urge the Congress to give the Commission, and other parties, this opportunity, since the Act needs revision to make clear what exemptions the Congress now wishes to give, without undue interference with the main purpose of the legislation.

In addition to the basic issues dealt with above, there are special problems which require the attention of Congress: Perhaps the most important of these is the railroad passenger service deficit. The railroads have suffered for many years from a persistent and creeping malady of unprofitable passenger service operations. The provision of freight and passenger services by railroads constitutes a common enterprise. Consequently, the actual losses incurred from passenger service operations must be borne from earnings realized from freight service. Thus, in final analysis, the railroad shippers of the country are being required to subsidize in substantial and growing amounts those who benefit from the utilization of passenger train services.

There appears to be no wholly satisfactory solution to this problem. However, I recommend that the problem be attacked initially by revision of the Interstate Commerce Act to provide that where the Interstate Commerce Commission finds that continuance of unprofitable passenger stations or other facilities or services imposes an undue burden upon interstate commerce, and that adequate service by other forms of transportation are available to meet the public need, it may order the discontinuance of such services or facilities irrespective of the law of any state or the order of any state authority. The purpose of this recommendation is to give Federal support to the announced policies of the state regulatory commissions in their efforts to curtail clearly unprofitable services.

There are several other recommendations which are logical accompaniments of these basic aims and which follow in general terms (a) The Government is the largest single user of transportation in the country. It is important that the Government buy transportation wisely and economically. It is not, however, good policy for the Government to use its position to insist upon discriminations in its favor since they are equivalent to discrimination against the private shippers.

omit

~~(b) The 3% excise tax on freight and the 10% excise tax on passengers were war measures to discourage private shipment and travel. They are in essence a discriminatory sales tax. The continuing federal deficit prevents my recommending their repeal at this time. The ultimate consumer, however, pays these taxes just as he would a smaller general sales tax, but these higher transportation taxes tend to drive business away from the common carriers to private trucks and automobiles and by so doing raise the costs of common carrier service to those who have to use it.~~

I send you this message with a sense of urgency. The railroads which move more than half of the freight of the nation and nearly half of those passengers who go by public carriers, are in serious condition. To what degree this has been caused by government policy or by the railroads themselves or by some other cause is not the important question. The important thing is to improve the situation. The proposals herein reduce the part played by government, increase the freedom of management and places the responsibility upon the railroads to achiefe such success under competition as will enable them to fully meet their responsibilities to the public.

At present they are not in condition to meet these responsibilities.

Of the 1,700,000 freight cars belonging to the Class I railroads, 800,000 or 45 per cent, are more than 20 years old. Since the war their working capital has fallen from $1,659 million to 698 million. There is talk of the necessity of Government subsidy for the railroads and fear even of Government ownership and operation.

Government subsidy in the railroad field once started would be a never ending drain on the Federal treasury and subsidy is not a good way to promote economy and efficiency. Government ownership and operation would be an even worse drain and would besides take from thousands of counties in the United States property taxes on which they depend for schools and other public purposes.

It is my belief that given freedom to compete, the railroads can earn not only sufficient income to keep them in private operation, but enough to enable them to finance improvement that will increase economy and efficiency and lower the fundamental costs of mass transportation to the country.

There is another and pressing reason for immediate action.

The last war, like others that preceded it - put a great strain on transportation. The freight movement in the peak war year was about 122% above the average traffic for the three years immediately preceding the war and about 23 per cent above the annual post-war year average. The railroads moved practically all of that increase, in the first two years of the war and more than 80% of it during the last two years. The railroads also handled about 80% of the increase in passengers, a considerable part of which was mass movement of troops.

The railroads have not now the additional equipment necessary to meet a national emergency. If they are quickly restored to a healthy state for service in peace-time, they will be in a position to care for most of the added burden that war might thrust upon them. If they remain as they are, or if their condition becomes worse, the Government will have to take very expensive measures to provide for national defense transportation.

The opportunities to strengthen our peace-time economy by improving the condition of the transportation industry, and the resulting economies and efficiency are compelling reasons for action. Beyond this is the pressing need to put transportation in a satisfactory shape for the defense of the nation.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

March 23, 1955

Summary Recommendations, Involving Legislative Action, in Report of the Presidential Advisory Committee on Transport Policy and Organization

1. Revise the national transportation policy to assure maintenance of a national transportation system adequate for an expanding economy and national security, to endorse greater reliance on competitive forces in transportation pricing, to reduce economic regulation of transportation to a minimum consistent with public interest, and to assure fair and impartial economic regulation.

2. Limit regulatory authority of the Interstate Commerce Commission to determination of reasonable minimum or maximum rates with no change in existing provisions making undue discriminations and preferences unlawful.

3. Continue suspension powers on a more restrictive basis, shorten period of suspension to three months, and shift burden of proof where protestant is a competing carrier.

4. Remove requirement that rail or water common carriers obtain prior approval for charging greater than aggregate of intermediate rates, and for charging less for longer than for shorter distances over the same line or route in the same direction, the shorter being included within the longer, if necessary to meet actual competition and the charge is not less than a minimum reasonable rate.

5. Make lawful volume rates based on cost differences which are established to meet competition.

6. Redefine a private carrier by motor vehicle as any person not included in definition of a common or a contract carrier who transports property of which he is the owner, without direct or separate compensation, provided that the property was not acquired for the purpose of such transportation.

7. Redefine motor and water contract carriage as being that for-hire transportation providing services equivalent to bona fide private carriage and require that actual, rather than minimum, charges be filed.

8. Repeal the bulk commodity exemption applicable to water carriers so as to subject such transportation to regulation similar to that applicable to other transportation.

9. Provide definite statutory standards for determining which shippers or shipper associations involved in consolidation or distribution of volume freight on a non-profit basis for securing lower rates are entitled to exempt status.

10. Empower the ICC to override certain State service requirements if continuance of such service would result in a net revenue loss or otherwise unduly burden interstate and foreign commerce provided reasonably adequate service in lieu thereof is available.

11. Continue authority for carriers to establish voluntary special Government rates but subject such rates to all provisions of the Act (including public filing) except suspension and long-and-short-haul provisions, with authorization for application of special Government rates retroactively and on short notice in special instances and with authorization for waiver of filing requirements in cases where national security is involved.

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

SPECIAL TRANSPORTATION MESSAGE

In my State of the Union Message, on January 6, I indicated my increasing concern with the national transportation problem. This concern on my part is based on developing trends which have been apparent for some time. For this reason, on July 12, last, I established a Presidential Advisory Committee on Transport Policy and Organization to examine existing Federal transport policies to determine their effect on the adequacy of transportation services. I designated the Secretary of Commerce, Secretary of Defense, and Director of the Office of Defense Mobilization as members of this Committee, and the Secretary of the Treasury, the Postmaster General, the Secretary of Agriculture, and the Director of the Bureau of the Budget as participating members.

As indicated in my State of the Union Message, this is the first such comprehensive review directly undertaken by the Executive Branch of the Government in modern times.

In my communication to the Secretary of Commerce, whom I named as Chairman of this Advisory Committee, I noted my deep and immediate concern with this problem in these terms:

> The vital interests of this Nation require that the transportation industry of the United States maintain itself at maximum effectiveness. The Government must provide effective leadership in assuring that its policies and programs affecting the various forms of transportation, whose services are so necessary to the public and to industry and which have such a vital bearing upon the national security, are best designed to aid them in performing fully the roles for which each is best suited.

out

The legislative changes which I hope the Congress may provide for as a result of this message are the outgrowth of this Advisory Committee's careful examination of pressing transportation problems and consideration of those policies which appeared to be most urgently in need of revision if maximum effectiveness of the Nation's transportation facilities is to be realized.

~~In the final analysis,~~ The Advisory Committee has reported to me that the modern transportation problem could best be resolved by the following actions:

National regulatory policies should be amended (1) to permit greater reliance on competitive forces in transportation pricing; and (2) to assure the maintenance of a modernized and financially strong system of common carrier transportation adequate for the needs of an expanding and dynamic economy and the national security.

The end purpose of these two major policy recommendations is:

To have transportation enterprises functioning under a system of energetic competition which will speed up technical innovation and foster desirable price and service improvements;

To enable each form of transport freely to reflect its abilities in the market by aggressive experimentation in rates and service in order to demonstrate to the full its economic possibilities;

To encourage increased efficiency in carrier management in order to produce significant economies in the performance of all transportation services which, among other things, would give the ultimate consumer the benefit of the lowest possible transport cost;

To see that the national security will not be jeopardized by an inefficient transport system during war or defense mobilization.

CABINET PAPER

For Consideration

The general objectives appear sound and I believe they merit detailed and immediate consideration of the Congress at this session. In order to provide a basis for such consideration the Committee has developed measures designed to accomplish these objectives. I am requesting the Secretary of Commerce to forward them to Congress.

Within the short span of one generation this country has witnessed a transportation revolution. All elements of the economy have been profoundly affected - investors in transportation property, geographic regions, distribution, individual shippers, the taxpayer, the ultimate consumers of goods and services. As late as 1920, the railroads held a virtual monopoly of intercity transportation with the exception of areas served by water. In striking contrast, there is available today a wide selection of transport methods for the movement of goods and people from one place to another with economy, expedition, and safety. The individual, whether traveling for recreation or business purposes, has a choice as between the private automobile, intercity bus transportation, air transportation, and railroad travel. The shipper, whether interested in moving raw products to industrial plants or distributing finished products to a nationwide market, is free to elect the use of his own trucks, common or contract carriers by highway, a continental and physically integrated system of common carrier transportation by railroad, pipelines, coastal and intercoastal services, inland water transportation, or the rapidly developing air cargo services.

In major respects, government has played a decisive role in these fast moving and dynamic changes in the organization, financing, and operation of the nation's domestic transportation services. All levels of government have participated. The states have played a dominant role in the provision of an expanding and modernized highway system, although aided by the Federal Government through a program of grants-in-aid. The Federal Government has spent vast sums of the general taxpayer's funds for the improvement of rivers and harbors. More recently it has aided materially in the development of airports, the financing and management of a nationwide system of aids to air navigation, and has advanced substantial sums of money in the form of direct financial assistance for the development of air transportation.

The overall net result is a competitive system of transportation that for all practical purposes has eliminated the monopoly element which characterized this segment of our economy some thirty years ago.

During this same period, government has not kept pace with these changes but has, in fact, intensified its public regulation in certain areas. Paradoxically, the underlying concept of this regulation has continued to be based on the historic objective of restraining monopolistic abuses, despite the fact that the power of individual transportation enterprises to exercise monopoly control has been rapidly eliminated by the growth of pervasive competition.

The dislocations which have emerged from these conflicting developments have imposed large and unnecessary costs upon shippers, travelers, carriers and ultimately the entire consuming public. For example, the price of a washing machine includes the freight on the ore and the coal used by the steel mills, the freight on the steel to the fabricating plant and the freight from that plant to the consumer. The general public has the largest concern in the increase in efficiency of our transportation system for the general public as a consumer pays all the freight.

These dislocations have borne heavily upon the common carrier segment of our transportation industry. In this connection, it is important to note that our economy is based fundamentally on mass production and distribution of products throughout a continental market. It cannot continue to prosper without a transportation system that is dynamic, efficient, and capable of delivering goods and people with safety, expedition, with a high degree of dependability, and at the lowest cost in the expenditure of manpower and other scarce resources. Historically, these requirements have been met most satisfactorily by common carriers, who by statute are charged with the obligation to serve all individuals and shippers alike to the extent of their physical capacities, on known schedules at published rates, and without discrimination. The availability of this type of stable and dependable service is of equal importance in the day-to-day business operations, of large and small businesses alike. The availability of this type of transportation system is essential to the orderly and healthful operation of a peacetime economy and is indispensable to the national security in ~~the~~ time of war.

I firmly believe that these proposals will go far in improving the efficiency of our national transportation system, and I recommend that they receive the earliest possible attention of the Congress.

February 3, 1954

ROUGH MEMORANDUM TO MAX RABB

Subject: Segregation in Schools -- Proposed Action by President if Supreme Court Rules Against

Assuming that the Supreme Court rules against segregation in public schools, a most difficult situation will be created in many Southern States.

I am advised that there will be a disposition in some of the States to go along with such a decision as gracefully as possible. There may be some States where a "to hell with the Court and the opinion of the country" attitude may prevail and it is doubtful whether much can be done to bring them into line. However, in my judgment, President Eisenhower and this administration should extend to those States who do show a disposition to get in line a sympathetic understanding of their problem and, more important, have ready about the time of such a decision a constructive program that will assist them in rebuilding their public school systems. Warmth, sympathy, solid helpfulness should be offered.

One way in which that help could be extended would be financial assistance to build schools. I of course am not familiar with all of the complex problems that will arise as a result of such a decision but it appears patent that many schools will have to be rebuilt, new ones will have to be constructed and quantities of better equipment and teaching materials must be made available. Consequently, I suggest that we get our teeth into this to see just what situation would face the Southern States following such a decision and that we come up with a constructive program the President can vigorously advance.

When people have some difficult task to perform it is always better to find a device for making it possible for them to do it as easily as possible. Further the two or three States that may tend to raise hell in this situation will find the rug somewhat cut out from under them by a conciliatory attitude on the part of the administration. This would be true particularly if our program would help entice other Southern States to cooperate more readily and prevent any who are wavering from becoming obstructionists.

Val

VAL PETERSON

Max —
This gets
the idea into
the hopper.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CI - 11

January 26, 1955

The White House

Washington

THE CABINET

Report by the Attorney General on the Administration's Efforts in the Field of Racial Segregation and Discrimination

For information of Cabinet Members, attached is a copy of a progress report by the Attorney General summarizing the various significant steps taken by the Administration to eliminate racial segregation and discrimination in their different forms and aspects.

This report should be considered as background information in conjunction with a portion of the Attorney General's oral report at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

REPORT BY THE ATTORNEY GENERAL ON THE ADMINISTRATION'S EFFORTS IN THE FIELD OF RACIAL SEGREGATION AND DISCRIMINATION

This report summarizes various significant steps taken by the Administration to eliminate racial segregation and discrimination in their different forms and aspects.

Education

(1) In the field of public school education, segregation of pupils on the basis of race or color has been declared to violate the Constitution. This was done by the Supreme Court in its decisions of May 1954. Brown v. Board of Education of Topeka, 347 U. S. 483, and Bolling v. Sharpe, 347 U. S. 497. The remaining question before the Court is how the decisions are to be implemented. This involves two issues as to which the Court has requested further briefs and will hear further argument from the parties and the Attorney General. First, the Court has asked whether it must order an immediate end to segregation or whether it can permit a gradual adjustment; second, it has asked whether if it has the power to permit a gradual adjustment, how such adjustment should be worked out. Our brief has already been filed. Our position is in essence, first, that the Court has the power to permit a gradual adjustment and, second, that there should be no unnecessary delay in ending segregation. More specifically, we say that the school authorities should be required to submit within 90 days plans for ending segregation as soon as possible and that, if they do not submit such plans, they should be ordered to end segregation forthwith; that the lower courts should pass upon the plans which may be submitted and supervise their execution, with the Supreme Court retaining jurisdiction to step in if necessary.

Oral argument of the case, in which the Government will participate, awaits confirmation of Justice Harlan in place of the late Justice Jackson.

(2) In the District of Columbia the Board of Education has already put into effect a plan for desegregation. In that connection the District Government obtained the dismissal of a citizens' federation suit intended to maintain segregation pending final action by the Supreme Court.

(3) The Department of Defense has taken steps to eliminate racial segregation of children in schools for the children of personnel stationed at military installations. The Department determined that all schools operated by the military would begin operation on an integrated basis with the beginning of the 1953 fall term, and this policy was carried out on schedule. With respect to the question of schools located on military installations but operated on a segregated basis by local educational agencies, the Secretary of Defense on January 12, 1954, directed "that the operation of all school facilities located on military installations shall be conducted without segregation on the basis of race or color", and that this policy should be placed in effect as soon as practicable but under no circumstances later than September 1, 1955. See Integration in the Armed Services, January 1, 1955, a Progress Report prepared by the Office of The Civilian Assistant, OASD-M & P, pp. 2-3.

(4) The Office of Education, Department of Health, Education and Welfare, has undertaken by reeducation to lessen public opposition to desegregation in areas where such opposition may exist. It has done this through preparation of a guide for leaders of public and private community groups concerning knowledge, principles,

techniques, and practices in the field of intergroup relations. *Leaders' Guide to Use and Study of Materials on Intergroup Education*, prepared by Joseph H. Douglass and Ambrose Caliver, of the Office of Education (published by the National Education Association, 1954).

Transportation

(1) The Attorney General has urged the Interstate Commerce Commission to outlaw racial segregation of railroad passengers traveling on interstate journeys. This action was taken in the case of *National Association for The Advancement of Colored People v. St. Louis-San Francisco Railway Company* (I.C.C. Docket No. 31423), involving 12 rail carriers linking the South to the rest of the country. In November 1954 an examiner of the Commission issued a report proposing that the Commission should prohibit this practice. The railroads have recently filed exceptions to the report which exceptions will be considered by the Commission as provided by its rules. The Attorney General will ask the Commission to adopt its examiner's report.

(2) The Department of Justice, with the approval of the Bureau of the Budget, supported legislation in the 83d Congress (H. R. 7304, S. 465, 2672, and like bills)(which failed to be enacted) to abolish "Jim Crow" practices in all forms of interstate transportation, stating that "Passage of this kind of legislation would remove all doubts and bring to a conclusion the long process of making the facilities of interstate travel available to all without distinction because of race or color." Letter of Deputy Attorney General Rogers dated August 4, 1954, to Senator Bricker, Chairman, Senate Committee on Interstate and Foreign Commerce.

The Armed Forces

The Department of Defense has vigorously continued to implement the policy of equality of opportunity and treatment for its Negro personnel. The matter of schools has already been mentioned. Other steps taken include the following (See *Integration in the Armed Services, Progress Report, supra, passim*):

(1) On March 1, 1954, the Navy Department abolished the practice of separate recruitment of Negroes to serve as stewards. As a result Negro recruits are now assured of the opportunity, as all others, to choose their branch of service on the basis of testing and training.

(2) The Department of the Army in regulations issued April 23, 1954, directed the omission of racial designations in orders for the reassignment of members between Army Reserve Units. This directive facilitates the participation of Negro personnel in Army Reserve Activities on the same basis as that now obtaining for personnel on active duty.

(3) On August 20, 1953, the Secretary of the Navy directed the complete elimination of all barriers to the use of previously segregated facilities on Government-owned Shore Stations of the Navy. Concurrently, similar action was taken by the Army and Air Force.

(4) In a directive issued June 11, 1954, the Secretary of Defense provided for a program to familiarize contracting officers, administrators, and other personnel dealing with procurement with "the spirit, intent, and requirements of the President's policy" of non-discrimination with respect to Government contracts.

(5) For the Armed Forces, June 30, 1954 was earlier agreed upon as the time limit for the termination of remaining all-Negro units in the services. The program has proceeded ahead of schedule and there

are no longer any all-Negro units in the Services. The number of Negro officers and enlisted men in attendance at Service schools has more than doubled.

Hospitals

(1) Segregation has been ended in all Veterans Administration Hospitals. The program to end such segregation began shortly after Mr. Harvey V. Higley became Administrator of Veterans Affairs in September 1953. A survey ordered by Mr. Higley showed that of VA's 166 installations there was some degree of segregation in 47 installations located in 23 states. Mr. Higley instructed the managers of these installations to end segregation as soon as possible. Today no segregation of any type is permitted in VA installations. The designation of color has been eliminated from all future VA hospitals and outpatient application forms as a result of an order approved February 4, 1954. See Veterans Administration Press Release dated October 27, 1954.

(2) The Department of Health, Education, and Welfare reports that with respect to Public Health Service Hospitals in the South, its policy is that all services and facilities shall be available to all patients and employees without distinction as to race or color. The Department further advises that its desegregated program has been almost completely achieved and that what little remains to be done will have been completed not later than July 1, 1955.

Employment practices

(1) The problem of racially discriminatory practices in industry has been tackled by the Administration through the President's Committee on Government Contracts established pursuant to Executive Order 10479 of August 13, 1953. This Committee was set up to strengthen and enforce compliance with non-discrimination provisions required, by executive order, to be included in all Government contracts and subcontracts. By Executive Order 10557 of September 3, 1954, pursuant to recommendation of the Committee on Government Contracts, the nondiscrimination provision was revised "as a means of better explaining, the present nondiscrimination provision of Government contracts". The Committee, under the chairmanship of the Vice President, is engaged in an active program of implementation. It receives and considers complaints of discrimination, advises contracting agencies on appropriate enforcement measures, and cooperates with state, municipal, private, and voluntary agencies to effect non-discrimination. See pamphlet of the Committee, "Equal job opportunity is good business" (1954).

(2) Directed to the problem in the Government itself, the President, by Executive Order 10590 of January 18, 1955, established the President's Committee on Government Employment Policy. The function of this committee is to ensure adherence by all departments and agencies of the executive branch to the policy of non-discrimination in Government employment on account of race, color, religion, or national origin. Thus, the Committee is authorized to review cases and render advisory opinions thereon, and to make necessary inquiries and investigations. The executive order also imposes upon the head of each department and agency the express responsibility for effectuation of the policy of non-discrimination, including the promulgation of a hearing procedure for complaints and the designation of Employment Policy Officers. A vigorous implementation of Executive Order 10590 will do much to accomplish "the utilization of the individual Negro employee at his maximum potential". Cf. *Integration in the Armed Forces, supra*, pp.9-10.

Facilities operated by or under the jurisdiction of the Department of the Interior

The Department of the Interior in connection with the use of public recreational facilities, the administration of Indian affairs, and the peoples of the territorial and island possessions, most of whom are not of the white race, does not sanction or permit racial segregation. The Department's regulations expressly prohibit such segregation. In addition, concessionaires operating facilities in areas under the Department's jurisdiction are required, by contract, to refrain from practicing or permitting racial segregation. Among such facilities are swimming pools, tourist lodgings, golf courses, eating facilities, and hotels. The Department has advised that its experience has shown that non-segregated operation of its facilities is not only practicable but has reduced racial tensions.

Airport facilities

The question of racial segregation in connection with airport facilities is one in which the Department of Commerce is interested. That interest arises in connection with airport facilities in areas of the South acquired by the United States and granted to states and municipalities under contracts providing that the grantees shall not impose unjust discriminations in the operation thereof. As a consequence of the Supreme Court decision in the school segregation cases the Commerce Department, in conjunction with the Attorney General, is undertaking to explore the possibility of whether the non-discrimination clause of the contracts can be utilized as a means for eliminating racial segregation at the airport facilities involved.

The District of Columbia

The situation in the District of Columbia may be summarized as follows: (1) Schools, see above; (2) as a result of the decision in the *Thompson* case (*District of Columbia* v. *John R. Thompson Co., Inc.*, 346 U. S. 100 (1953)), segregation has been ended in restaurants, lunch rooms, and all other public eating-houses; (3) a non-discrimination clause is required in all District of Columbia contracts; (4) the Board of Recreation has abolished segregation throughout its facilities; (5) racial discrimination is prohibited in employment by the District Government and in the use of its facilities and services; extended to the fire-fighting division of the D. C. Fire Department, August 19, 1954, and (6) on December 7, 1954, steps were initiated to secure a judicial determination as to the enforceability of the provisions of the Act of the Legislative Assembly of 1872 and the ordinances promulgated by the Corporation of Washington in 1869 and 1870, other than those provisions applicable to restaurants. These additional provisions prohibit racial discrimination by proprietors of hotels, barber shops, bathing houses, and places of amusement. In this connection, it should be noted that segregation has been voluntarily abandoned by operators of motion picture theatres and, more recently, by major hotels.

Housing

In the area of housing it will be noted that the Housing and Home Finance Agency has reorganized and expanded its Racial Relations Service. There has been established a Coordination Committee on Racial Activities consisting of the top Racial Relations Officers of the HHFA and there has been created a racial relations post in each of the six regional offices of the HHFA (HHFA Press Release, January 10, 1955). The Administrator of the Agency has also taken steps to resolve the tensions and conflict incident to the racially-integrated operation of the Trumbull Park housing project in Chicago. After the admission of a few Negro families neighborhood violence broke out requiring police protection for the residents. The Administrator announced that he had asked for a conference with interested public and private leaders in an effort to bring an end to the abnormal conditions prevailing at the project (See Hampton Institute address of Albert M. Cole, HHFA Administrator, October 29, 1954). It must be stated, however, that the conference has not yet been held because of differences of opinion as to its proper scope.

CI - 12

January 26, 1955

The White House

Washington

THE CABINET

Report on the "Wetback" and Bracero Programs

For information of the Cabinet, attached is a copy of a statement by the Attorney General on the status of the Administration's programs concerning "wetbacks" and braceros.

This statement describes some of the measures being used to curb the entry of the illegal aliens and to assist in the employment of the legally admitted Mexican farm laborers. The statement concludes with a summarization of steps which might be taken to make the existing programs more effective. Three pertinent charts are appended to the statement.

The attached paper should be considered as a background statement in connection with a portion of the Attorney General's oral report at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

THE "WETBACK" AND BRACERO PROGRAMS

In recent years a mass invasion of Mexican "wetbacks", with its accompanying social and economic ills, has taken place along our southern border. To correct this alarming situation the Immigration Service has been engaged since mid-June of 1954 in removing "wetbacks" from this country and in preventing their illegal return to this country.

"Operation Wetback" was launched in California on June 17, 1954, and in south Texas thirty days later. These were the two areas most seriously affected. Drawing on Border Patrol personnel in all other sections of the country, and borrowing officers and equipment from other activities of the Immigration Service, mobile task forces on an improvised basis, were assembled and employed in the work. Light planes were used to locate "wetbacks" and to direct ground teams working in jeeps. Transport planes, trucks, and buses were used to convoy wetbacks to staging areas. To discourage reentry those apprehended were removed to the interior of Mexico by train and ship. Only 1.8% of those returned to Mexico by ship have been caught reentering.

As conditions improved along the border, the work of removing wetbacks was undertaken in industrial areas such as Los Angeles, San Francisco, Chicago, and other interior points. These areas, today, are practically free of "wets". Chart "A" illustrates the magnitude of the removal program and the methods used. The American Civil Liberties Union has publicly commended the methods used in the removal program.

Since the beginning of the operation to January 1, 1955, 250,356 "wetbacks" have been apprehended and removed to Mexico. Whereas a year ago the Border Patrol was faced with the disheartening task of apprehending and expelling some 3,000 "wetbacks" each day, apprehensions now are running slightly less than 300 daily. Although Mexicans who have entered illegally are still being found in scattered places throughout the country, approximately 70% of those apprehended today are picked up while crossing the border. Chart "B" is a comparison of apprehensions in 1953 and 1954 and illustrates the extent to which the "wetback" problem has been brought under control.

During the removal operation many family groups were encountered and counseled to return to Mexico. Only males who were without families in this country were expelled through the staging areas. The first 30 days of the operation revealed, by actual count, that 45,953 aliens returned to Mexico of their own volition through the south Texas ports of entry. A similar voluntary exodus took place in California. In Chicago 1,462 voluntary departures have been verified. Thousands departed under conditions which did not permit verification. These departures were a planned part of the operation and resulted in considerable monetary saving to our Government.

Mexican Government officials have been most cooperative throughout the removal program. The United States Air Force and Army rendered valuable assistance by making transportation facilities available.

A direct result of "Operation Wetback" was a 54% increase last year in the number of Mexican workers (braceros) who were legally admitted under an international agreement with Mexico entered into pursuant to Congressional action. In the previous highest year, 1953, 201,000 contract workers were admitted; last year 309,000 were brought in. The Department of Labor administers the bracero program and enforces the contract provisions which give to the braceros the protection of minimum wages, certain health standards, and favorable working conditions.

CABINET PAPER

For Information

The social and economic benefits of this program are noteworthy. For example, on July 27, 1954 the Director of the California Department of Employment wired that Governor Knight had requested him to convey his sincere thanks for the excellent work in removing illegal aliens from California. The telegram stated that as a result of the first month of the operation in California claims for unemployment insurance benefits had dropped 10%, resulting in a saving to California taxpayers of approximately $325,000 per week. In Texas the Employment Commission estimated that 30,000 Americans residing in south Texas, who customarily were forced to migrate northward for seasonal work, were able to remain at home last summer because of higher wages and better conditions brought about by the absence of "wetbacks". In addition, numerous reports have been received from police and welfare agencies testifying to the fact that crime and disease rates in their localities have declined sharply.

These accomplishments have required some extraordinary measures. For example, approximately 200 officers from other Service activities are still being used on this work. Loss of leave and overtime, both voluntary and paid, have been required to maintain this and other immigration programs. Supplemental appropriations have been requested which, if provided, will correct these conditions.

Thirty-one per cent of employed "wetbacks" who are apprehended today are found engaged in industrial jobs. If complete success is to be obtained, a means should be found to prevent an alien illegally in this country from obtaining a Social Security card. This card provides the holder with evidence regarded by the public as authorization for his presence and employment in this country. A possible solution is a procedure under which the Immigration and Naturalization Service will be advised whenever a foreign-born person is issued a Social Security account number or card.

During the last session of Congress, two bills were introduced, S. 3660 and S. 3661. One would enjoin employers who knowingly hire wetbacks. The other would authorize confiscation of vehicles used to transport wetbacks. These bills were, at that time, deemed desirable tools with which to curb the "wetback" traffic. A different and healthier situation exists today. Employers previously addicted to the use of "wetbacks" are now cooperating in the use of barceros. Passage of S. 3660 and S. 3661 therefore is not now regarded necessary. Should the present situation deteriorate, future consideration might be given to these or similar bills.

In 1954 the Secretary of Labor certified need for the importation of 309,033 farm laborers. In this connection, Chart C is a comparison of 1953 to 1954, by months, of numbers of legally admitted braceros. It is expected that an equal or larger number will be required this year. It is evident that need for Public Law 78, which authorizes the bracero program, or similar legislation will continue after December 31, 1955. It is recommended that Public Law 78 be extended indefinitely. It is also recommended that Title 5 of the Act be amended to provide in effect, that the agreement between the United States and Mexico should not, insofar as it may be possible, impose upon the employer or Mexican labor different conditions or requirements than those normally required in respect of United States resident workers.

The Immigration and Nationality Act covers only the importation of agricultural labor from Mexico. Consideration should be given to an amendment to the Act which would permit the importation of temporary workers from certain other countries which are in a position to supply such temporary labor.

To summarize, and to point up steps that should be taken to bring about a more effective program, the Department of Justice stresses the following points:

1. In order to maintain the control which the Immigration and Naturalization Service now has over the illegal migrant, additional personnel for the Border Patrol has been approved by the Bureau of the Budget and is being requested of the Congress.

2. In order to continue the bracero program, Public Law 78 should be extended indefinitely, with the amendment referred to above.

3. The agreement between the United States and Mexico concerning the contracting of legal workers expires in December. If the Congress enacts legislation to extend the program, consideration should be given, in renegotiating the agreement with Mexico, to the inclusion of provisions which would permit the grower to have greater participation in the recruitment and selection of workers. Some growers have signified their desire to so participate. The renegotiation also should correct any other inequities which exist in the present agreement. These proposals are currently under study between the Departments of Labor and Justice.

4. In the administration of the bracero program, all steps should be taken to improve the operation. One step would be a reduction in any unnecessary paper work required in connection with a grower's contracting for continued use of workers who are considered satisfactory by the grower. This proposal is under study between the Departments of Labor and Justice.

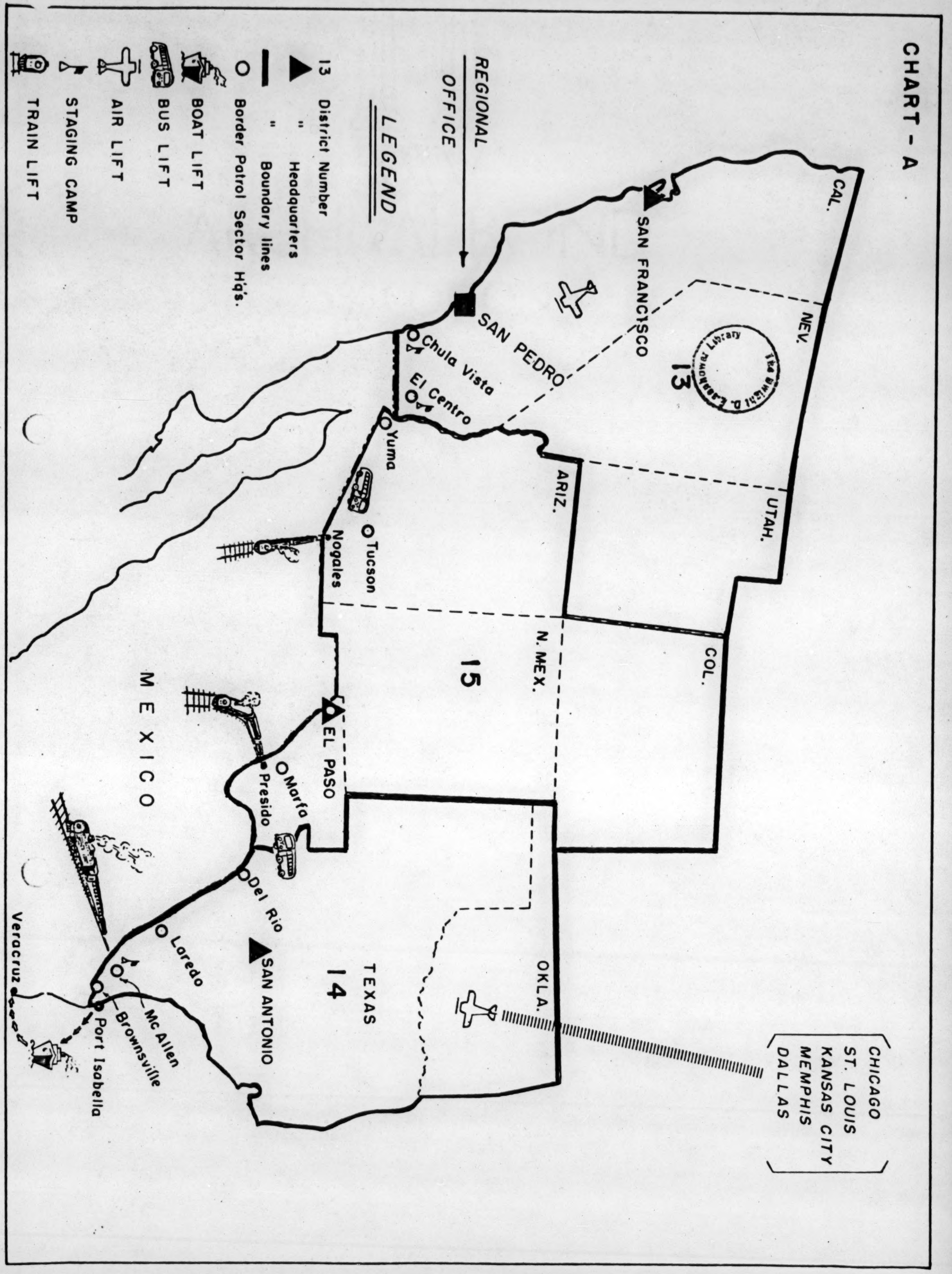
5. The Departments of State, Justice and Labor have under study the desirability of proposing an amendment to the Immigration and Nationality Act which would permit the importation of temporary workers from certain other countries. If we were not in the position of having to rely almost entirely on Mexican labor for help in some of our agricultural areas, we would be able to negotiate a more workable agreement with Mexico.

6. A method should be developed to prevent aliens illegally in this country from obtaining or retaining Social Security cards. This might be accomplished by a procedure under which the Social Security Administration would advise the Immigration and Naturalization Service whenever a foreign-born person is issued a Social Security card or account number. This proposal is currently under study, both as to legality and advisability, by the Departments of Justice and Health, Education and Welfare.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CHART - A


CAL.
NEV.
UTAH.
ARIZ.
COL.
N. MEX.
OKLA.
TEXAS
13
15
14
SAN FRANCISCO
SAN PEDRO
Chula Vista
El Centro
Yuma
Tucson
Nogales
EL PASO
Marfa
Presido
Del Rio
SAN ANTONIO
Laredo
McAllen
Brownsville
Port Isabella
Veracruz
MEXICO
REGIONAL OFFICE
CHICAGO
ST. LOUIS
KANSAS CITY
MEMPHIS
DALLAS
LEGEND
13 District Number
" Headquarters
" Boundary lines
Border Patrol Sector Hq's.
BOAT LIFT
BUS LIFT
AIR LIFT
STAGING CAMP
TRAIN LIFT

CABINET PAPER

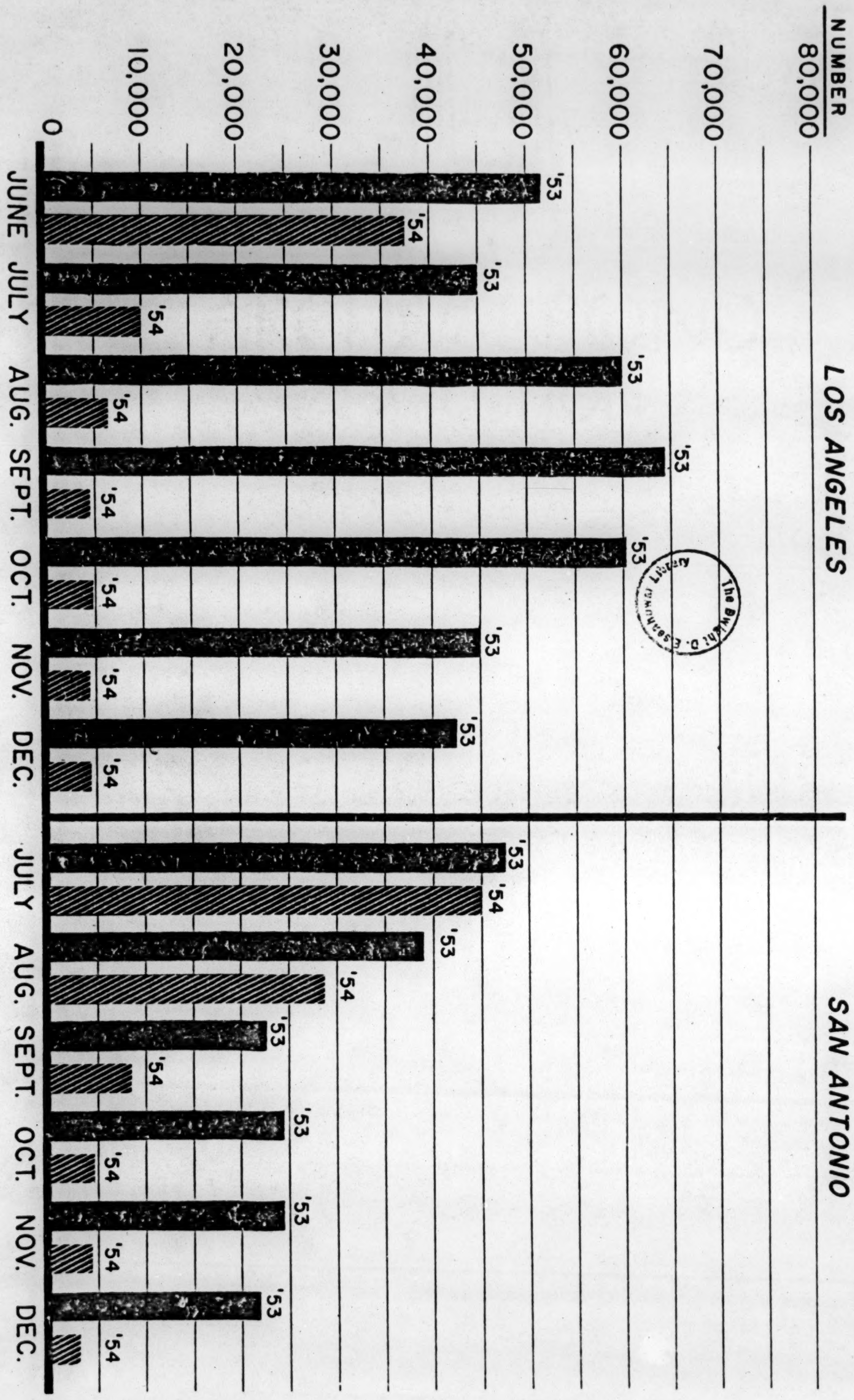
For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CHART - B

COMPARISON - APPREHENSIONS



CABINET PAPER

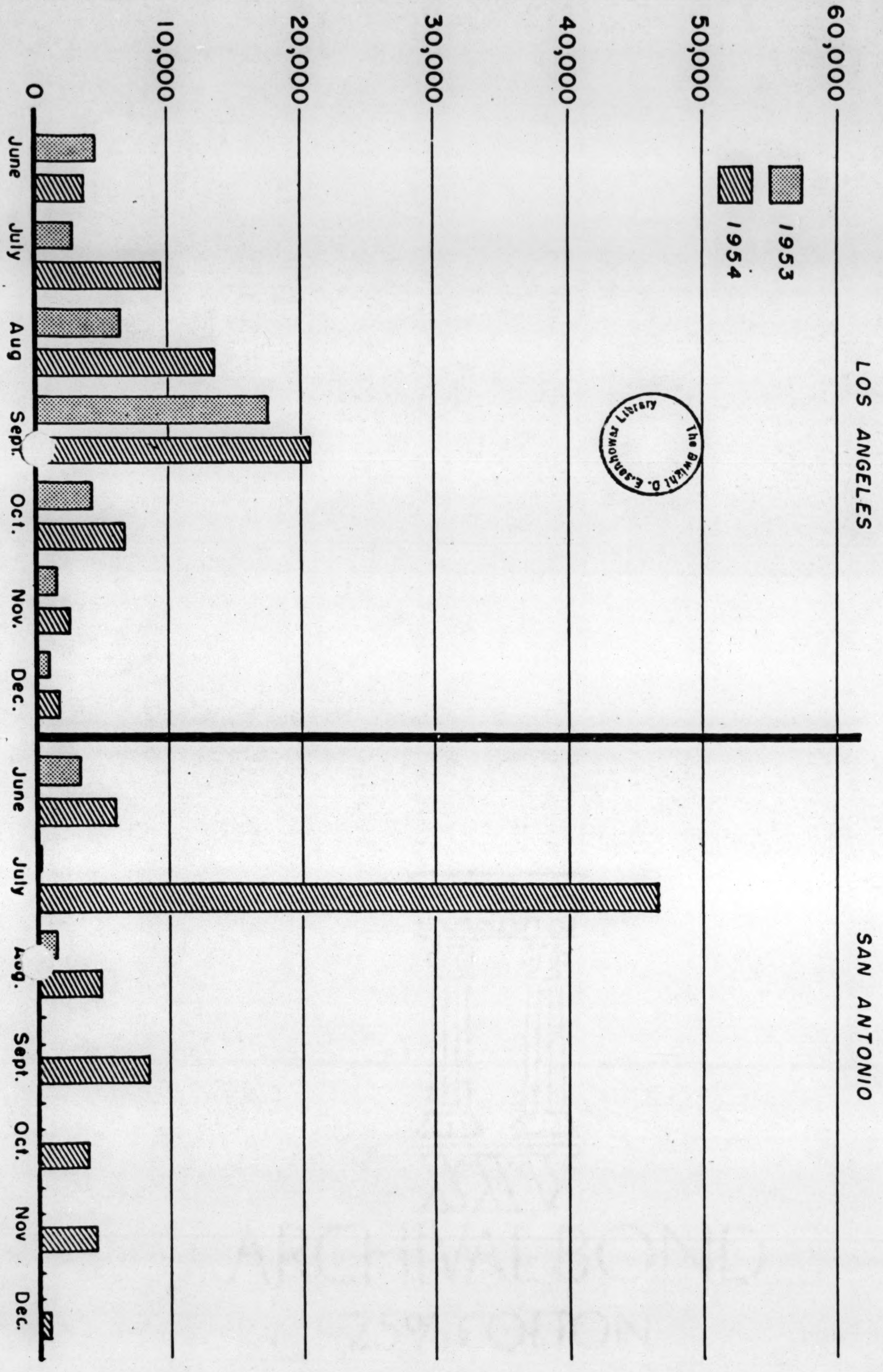
For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CHART - C

COMPARISON — CONTRACTING



CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CI - 13

January 25, 1955

The White House

Washington

THE CABINET

The Attorney General's National Committee to Study the Anti-Trust Laws

For information of Cabinet Members, attached is a brief statement concerning the activities of the special committee which has been established to study the anti-trust laws.

This statement describes the objectives of the Committee and cites examples of the questions to which the Committee is addressing itself.

The attached statement should be considered as background for a portion of the Attorney General's oral report at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only CI - 13

THE ATTORNEY GENERAL'S NATIONAL COMMITTEE TO STUDY THE ANTITRUST LAWS

The Attorney General's National Committee to Study the Antitrust Laws was formed some fifteen months ago. Its members include 60 practicing lawyers, law professors, and economists. It is headed by Co-Chairmen Stanley N. Barnes, Assistant Attorney General in charge of the Antitrust Division of the Department of Justice, and Dr. S. Chesterfield Oppenheim, Professor of Law, University of Michigan. The Secretary of Commerce and the Chairman of the Federal Trade Commission are the governmental members. The target date for submission of the Committee's Final Report is this February. After consideration of the Committee's recommendations, the Attorney General will formulate his own recommendations and present them for Cabinet consideration.

The Report will evaluate the operation of the antitrust laws and suggest changes to achieve antitrust goals more effectively. It will attempt to probe beyond traditional labels that mark principal points of antitrust disagreement and which all too often have been used as a substitute for clear and well-reasoned thinking. Recommendations may cover legislative proposals, advice to enforcement agencies about administrative policy or suggestions as to how puzzling antitrust dilemmas may best be resolved.

The portion treating Section 2 of the Sherman Act will undoubtedly analyze the relation of business size to monopoly power. For example: To what degree is a business' size controlling under a monopolization charge? Must there be proof of power to control the market? Should the fact that power to control was achieved solely by virtue of a lawful patent grant, or by superior business methods, constitute a defense to an allegation of monopolization?

In like fashion, the Distribution section will consider, for example, whether we should retain present Federal legislation immunizing from the Sherman Act "Fair Trade" contracts authorized by State law. How well has the Robinson-Patman Act achieved its intended goal? And, generally, how can the consumer best be assured the economies of streamlined distribution methods without sacrificing freedom of competition at all levels of marketing?

A third area is the application of antitrust law to this country's foreign commerce. Should the Sherman Act extend to activities by American companies abroad? Should it apply only to those activities of American companies abroad that substantially affect our foreign commerce? Or should Sherman Act application to trade with foreign countries require a showing of significant effect on our domestic trade? More broadly, how can the application of the antitrust laws abroad be reconciled in some instances with our national security and foreign trade objectives?

Finally, the Committee will analyze crucial problems relating to mergers, antitrust administration and enforcement, and exemptions from antitrust prohibitions. In the administration and enforcement area, for example, there should be a determination of whether the Sherman Act's criminal sanctions should be retained and in what form. Should the Antitrust Division issue advisory opinions, beyond its present merger clearance and "railroad release" programs, so that businessmen can tell in advance whether business conduct will run afoul of the antitrust laws? How can efficient cooperation between the Antitrust Division and the Federal Trade Commission be assured? And, finally, how can the trial of complex antitrust cases be speeded?

CABINET PAPER

For Information

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CI - 14

January 25, 1955

The White House

Washington

THE CABINET

Interdepartmental Study of Jurisdiction over Federal Areas Within the States

For information of Cabinet Members, attached is a brief statement concerning the activities of the Interdepartmental Committee for the Study of Jurisdiction over Federal Areas within the States.

This statement, which is of the nature of a progress report, describes the composition of the Committee, its objectives, the kinds of problems to which it is addressing itself, and its work so far.

The attached statement should be considered as background for a portion of the Attorney General's oral report at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

CI - 14

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

INTERDEPARTMENTAL STUDY OF JURISDICTION OVER FEDERAL AREAS WITHIN THE STATES

On the Attorney General's recommendation, approved by the President, that a study be undertaken with a view toward resolving problems arising out of the jurisdictional status of federally owned areas within the several States, and that in the first instance this study be conducted by a committee of representatives of certain departments and agencies of the Federal Government, there has been organized the Interdepartmental Committee for the Study of Jurisdiction over Federal Areas within the States. The following persons have been designated Committee members by the heads of their respective departments and agencies:

Perry W. Morton, Assistant Attorney General (Chairman)
Wilbur M. Brucker, General Counsel, Department of Defense (Vice Chairman)
Maxwell H. Elliott, General Counsel, General Services Administration (Secretary)
Arthur B. Focke, Legal Advisor, Bureau of the Budget
J. Reuel Armstrong, Acting Solicitor, Department of the Interior
Robert L. Farrington, Solicitor, Department of Agriculture
Parke M. Banta, General Counsel, Department of Health, Education and Welfare
Edward E. Odom, General Counsel, Veterans Administration

The chairman, vice chairman, and secretary of the Interdepartmental Committee, as indicated above, were selected by action of the Committee. These officers were also designated to constitute, ex officio, the members of an Executive Committee.

The problems with which the Interdepartmental Committee is concerned arise from assumption by the Federal Government of legislative authority within the meaning of Article I, Section 8, Clause 17 of the Constitution over areas within the several States acquired for federal building sites, for military purposes, and for other federal uses. Assumption of such jurisdiction for reasons of necessity or convenience in the carrying out of federal functions often results, variously, in expense and inconvenience to the Federal Government, sundry disadvantages to the States, loss of services and privileges by residents of affected areas, and confusion as to the rights and responsibilities of all parties which may be involved. The problems relate to law enforcement, fire protection, education for children, taxation, marriage and divorce, authority to vote or hold elective office, uncertainty as to applicable civil laws, and many other matters.

The Interdepartmental Committee to this time has held two meetings, on October 22 and December 16, 1954. Through its Chairman, Mr. Kestnbaum, the Commission on Intergovernmental Relations has been kept informed of our Committee's work, and cooperation between the Commission and this Committee has been assured at any points of mutual concern.

The Committee has agreed that certain basic sources of pertinent information must be explored in procuring the data upon which to found its study. This involves (1) compilation of pertinent federal statutes and State constitutional provisions and statutes, (2) preparation of an analytical compendium of related decisions of federal and State judicial and executive authorities, (3) cataloguing of the existing jurisdictional situations of a comprehensive cross section of federally owned property and analysis of such situations, and (4) the preparation of various other preliminary materials.

With the concurrence of the Interdepartmental Committee each member of the Executive Committee has detailed one of his assistants to work of the Committee, and this staff is collaborating on plans for the inventory and assembly of the necessary data. Existing scheduling involves (1) the consideration of these plans by the Executive Committee in two weeks, (2) the recommendation by the Executive Committee to the Interdepartmental Committee as soon as possible thereafter of a definitive plan for the study, and (3) the execution as expeditiously as possible thereafter of such plan as may be approved by the Interdepartmental Committee.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By DHC NLE, Date 8-5-76

MINUTES OF CABINET MEETING

February 4, 1955
9:30 A. M. - 10:45 A. M.

The following were present:

The President

Vice President Nixon
Under Sec. Hoover
(for Sec. Dulles)
Sec. Humphrey, and
Mr. W. Randolph Burgess (in part)
Sec. of Army Robert Stevens
(for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Sec. McKay
Under Sec. True D. Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Hobby

Deputy Director Brundage
(for Director Hughes)
Dr. Flemming
Gov. Stassen
Chairman Young
Amb. Lodge
Dr. Burns

Gov. Adams
Gen. Persons
Mr. Hagerty
Gen. Cutler
Dr. Hauge
Mr. Harlow
Mr. Martin, in part
Gov. Pyle
Mr. McCann
Col. Goodpaster
Mr. Murray Snyder
Mr. Rabb
Mr. Minnich

Presentation of Papers for the President - The President asked that any papers which are to be presented personally to him be brought to the attention of the Staff Secretary in advance. He stated that there would be a few exceptions in cases where he wished to deal directly with a Department head.

Administration Achievements - The President announced that he had appointed Gov. Pyle to the White House staff for the purpose of developing a better understanding of Administration policies among the general public. He indicated that Gov. Pyle would be in frequent touch with Cabinet members and their assistants on the broad problem (but not the detail work) of getting out the story of the Administration's achievements.

Congressional Cooperation - At the President's request, the Vice President reported on the series of meetings he had held with members of the House and Senate who were in between "freshmen" and "old-timer" status. He said that some thirty Representatives and a dozen Senators were ready and eager to work with Sub-Cabinet members, the Republican National Committee and

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By bc NLE, Date 11/20/78

the White House liaison group to strengthen Republican "representation" before the public, rebuttal of Democratic attacks in Congress, presentations before Committees, etc. The Vice President urged that Department heads improve their information transmission belts to make effective use of these able members as a means of supplementing -- not supplanting -- existing liaison with ranking Committee members and the top leadership. He specifically suggested more frequent meetings with Committee members, creation of high level liaison staffs, and strengthened research and writing staffs which can service these supporters. He believed such actions would be effective in putting a "new face" on the Party. The President, at the end of the meeting, voiced his strong support for the Vice President's suggestions.

Management of the Public Debt (CI-15) - Deputy Secretary Randolph Burgess presented a series of charts like those in the attached Cabinet paper on the size and nature of the public debt. He commented on the effective manner in which debt management had been tailored to the situation of the national economy during 1953 and 1954, emphasized the desirability of reducing the frequency of turn-over of the debt, and the need for better distribution of maturity dates.

Sec. Weeks asked if the figures on increase of individual debt included installment plan debts. Mr. Burgess was uncertain.

Wartime Organization - Dr. Flemming stated that ODM would soon request the assistance of top-flight people from the Departments for developing detailed plans for administrative operations in an emergency. He indicated that recommendations will soon begin to go to the President for designating the individuals to head the wartime agencies.

Dr. Flemming described the procedure to be followed in settling controversial issues -- such as whether there should be a Stabilization Agency separate from the War Production Agency. These issues will be submitted to the Defense Mobilization Board, the Cabinet, and finally to the President.

Dr. Flemming wished the Cabinet to see the organizational chart this additional time prior to using it as a basis for other planning. He noted the addition, to conform with the President's wish, of an individual who could head a "non-military warfare office" and report to the President on psychological and economic aspects.

The President ascertained that no specific action was required at this time.

Cabinet Status Report (CI-7/1) - Mr. Rabb made a brief comparison of this report with the previous report.

Postal Legislation - The Postmaster General asked if any joint leadership meetings were being planned. The President stated that there were none in view for matters other than security and foreign policy, and recalled the warnings he had received against periodic meetings because of the inherent danger of transgressing on matters of internal administration. Mr. Summerfield then reported the feeling of House Democratic leaders that a bipartisan meeting would be useful to head off Senate Committee opposition to the postal legislation. The President doubted that Sen. Olin Johnston would cooperate but indicated a willingness to have such a

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-5-76

meeting provided Speaker Martin and Senator Knowland concurred. Sec. Humphrey warned of the pitfalls of such a meeting. Mr. Summerfield then obtained permission to further investigate the possibilities of an effective meeting.

Civil Aviation - The President asked the Attorney General and Sec. Weeks to get together on interpretation of what constituted proper advisory functions in regard to CAB recommendations -- particularly as to whether Commerce was to advise generally on aviation policies or also on specific cases.

LAM
L. A. Minnich, Jr.

Distribution
- Mrs. Whitman
- Mr. Rabb
- Mr. Minnich

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CI - 15

February 2, 1955

The White House

Washington

THE CABINET

Public Debt Management

For information of the Cabinet, attached is a booklet, prepared by the Office of the Secretary of the Treasury, on the management of the public debt of the United States.

This booklet, composed of charts and parallel text, is being circulated as background information to accompany the presentation on this subject to be made by the Secretary of the Treasury and the Under Secretary for Monetary Affairs at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

PUBLIC DEBT MANAGEMENT

OFFICE OF THE SECRETARY OF THE TREASURY

February 1955

The Public Debt

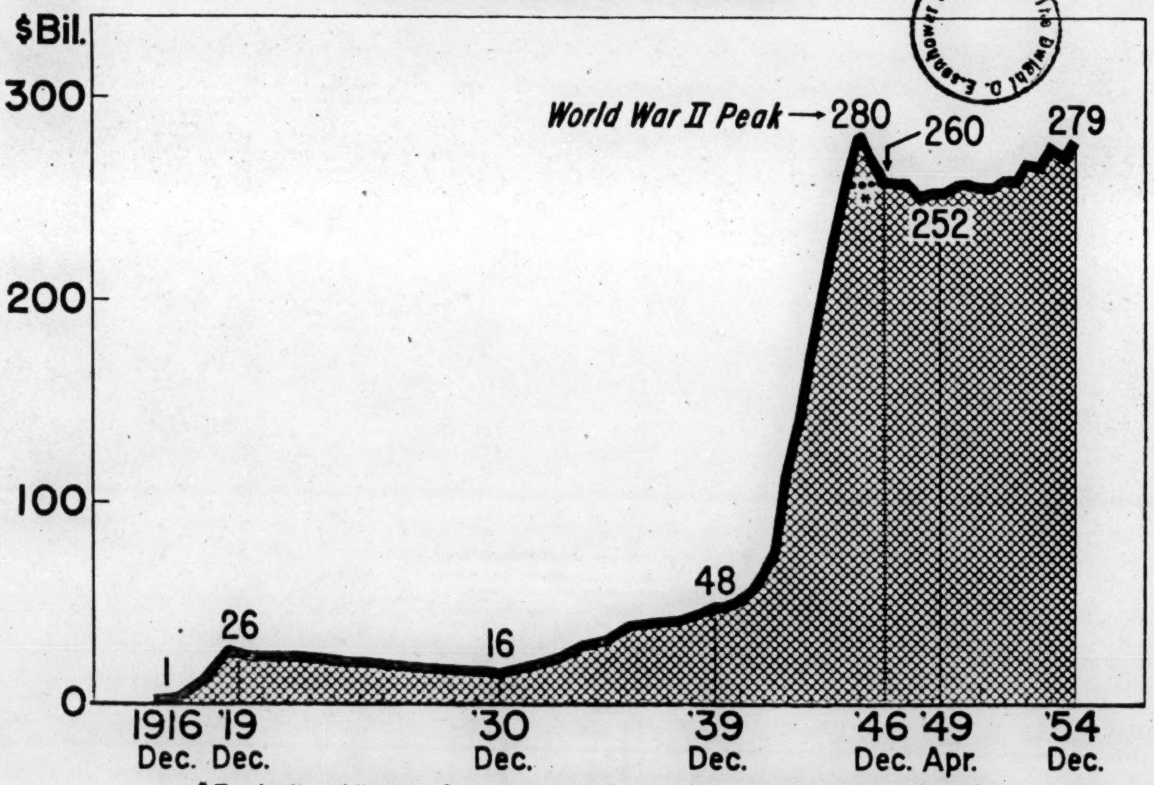
One of the Treasury's greatest responsibilities is the management of our public debt of close to $280 billion. That debt is too large, and we would like to start reducing it. Debt reduction, however, depends on a budget surplus, and the burden of our national security responsibilities makes it impossible to start yet.

The debt was reduced after World War I from a peak of more than $26 billion in 1919 to a low of $16 billion eleven years later.

After World War II, the debt went down by $20 billion during 1946 but that was simply a pay off out of cash balances from the Victory Loan drive. Post-war debt reduction out of budget surplus was confined to an $8 billion decline during 1947, 1948, and early 1949. Since then, under the impact of the Korean War and the stepped-up defense effort, the debt has moved upward again through December 1954 by $27 billion.

Chart I

THE PUBLIC DEBT



*Excluding Victory Loan proceeds used to repay debt in 1946.

Office of the Secretary of the Treasury

B-1204

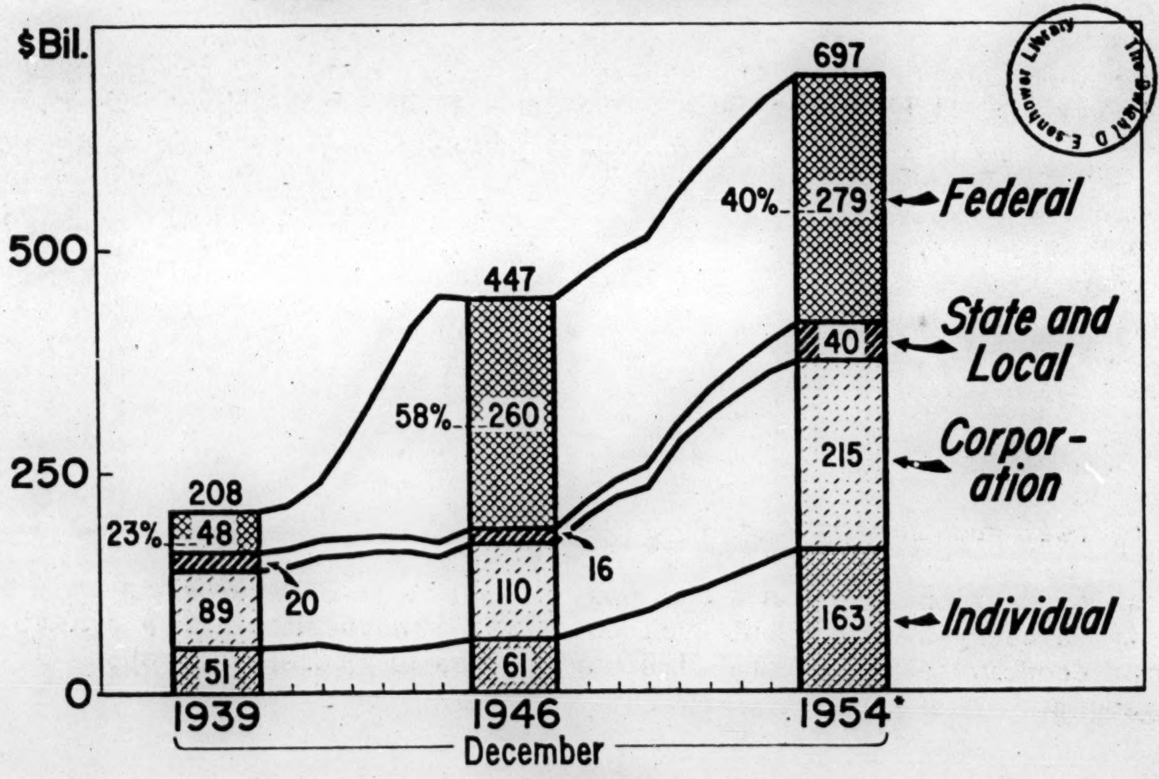
Public and Private Debt

In 1939, the public debt accounted for only 23 percent of total debt in the country -- debt owed by the Federal, state, and local governments, by corporations, and by individuals. Private borrowing was held down during World War II by the shift of capital goods into war production, so heavy Government borrowing pushed the public debt to almost 60 percent of total debt by December 1946.

Despite the tremendous growth of mortgage credit, consumer credit, and new issues of corporate and municipal securities since the end of World War II, the public debt still accounts for 40 percent of the debt outstanding in the United States.

Chart 2

PUBLIC AND PRIVATE DEBT



*Estimated

Office of the Secretary of the Treasury

B-1172-A

Burden of the Debt

Prior to World War I, the public debt amounted to $12 for every man, woman, and child in America. That burden rose to $245 at the end of World War I, but after World War II (December 1946), the per capita debt exceeded $1800.

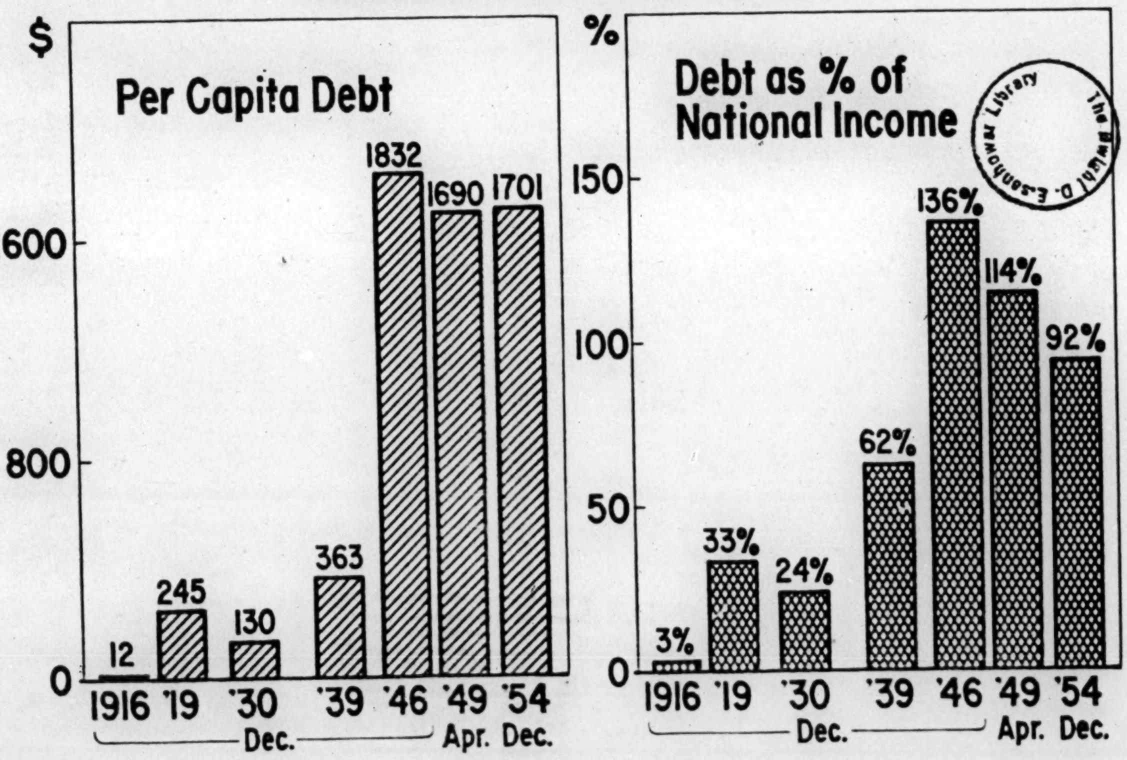
Debt reduction and the rise of population during the next few years brought the per capita debt down to about $1700 -- or about $6800 for every family of four in America. Since 1949, the debt has grown at about the same rate as the increase in population.

Changes in the burden of the debt in relation to national income have been much more encouraging. Unfortunately, a large share of this reduction in debt burden has been brought about by inflation rather than by real growth in the economy.

As the national income continues to grow in real terms, our ability to carry a heavy debt will be increased. Maintaining a dynamic, growing economy is one of the first principles of successful debt management.

Chart 3

BURDEN OF THE DEBT



The Debt and Monetary Policy

To aid in maintaining a stable and growing economic life, debt management must work hand-in-hand with Federal Reserve monetary policy. The timing and the background for Federal Reserve policy in 1953 and 1954 are illustrated in Chart 4.

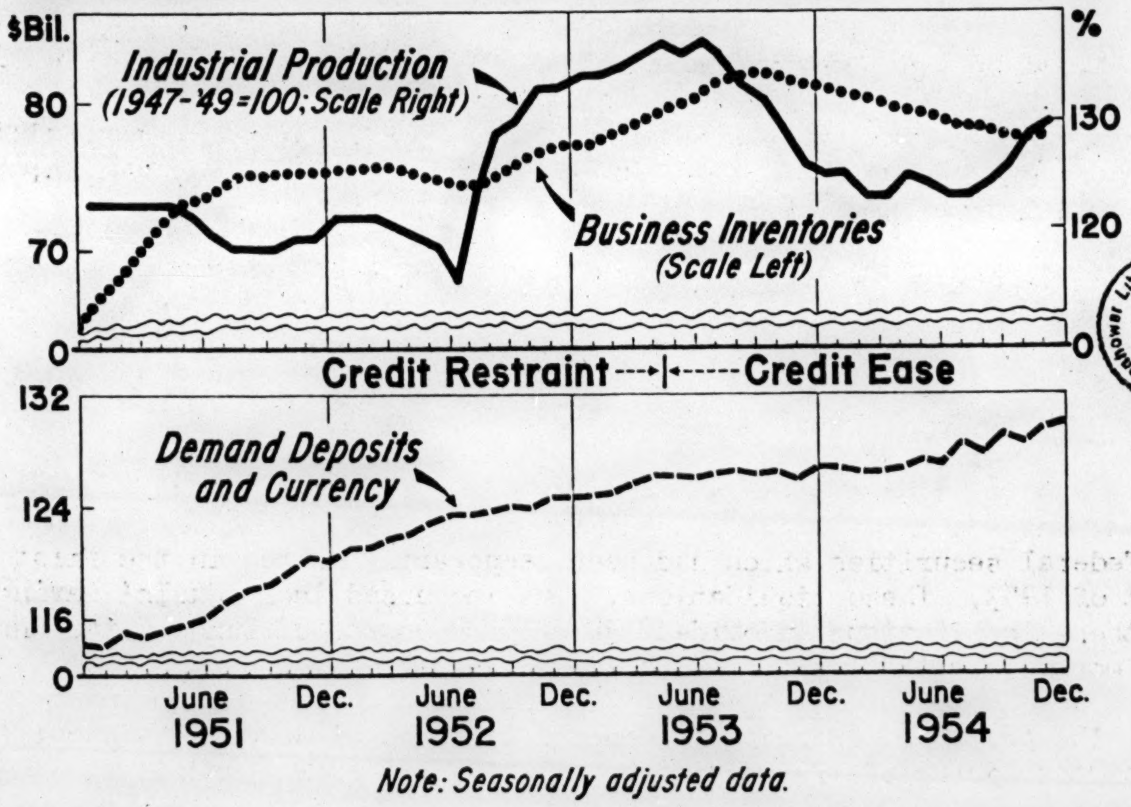
Federal Reserve credit restraint was appropriate in the period up to May 1953, as production bulged with an over-accumulation of business inventories. Physical resources were completely utilized; so Federal Reserve policy operated to restrain excessive increases in credit. Debt management policy sought to avoid forcing credit expansion which would have been created by financing the heavy Federal deficit through the banks.

As the economic environment changed in the spring of 1953, Federal Reserve policy turned toward credit ease to make sure that no credit stringency arose to impede the successful economic transition to reduced Government spending and a more appropriate inventory balance. Treasury debt management policy worked in the same direction by avoiding the issuance of securities which would compete in the long-term bond market.

Credit restraint, therefore, helped to keep money supply from growing too fast in early 1953, and the subsequent credit ease assisted in its renewed growth later on, particularly during recent months.

Chart 4

ECONOMIC INDICATORS AND MONETARY ACTION



Note: Seasonally adjusted data.

Office of the Secretary of the Treasury

C-993

Ownership of the Debt

Treasury debt management assisted the credit restraint policy during early 1953 by seeking to sell Government securities outside the banking system. As the danger of inflation subsided, commercial bank holdings of governments have been increased, and thus the money supply was maintained, though bank loans were declining.

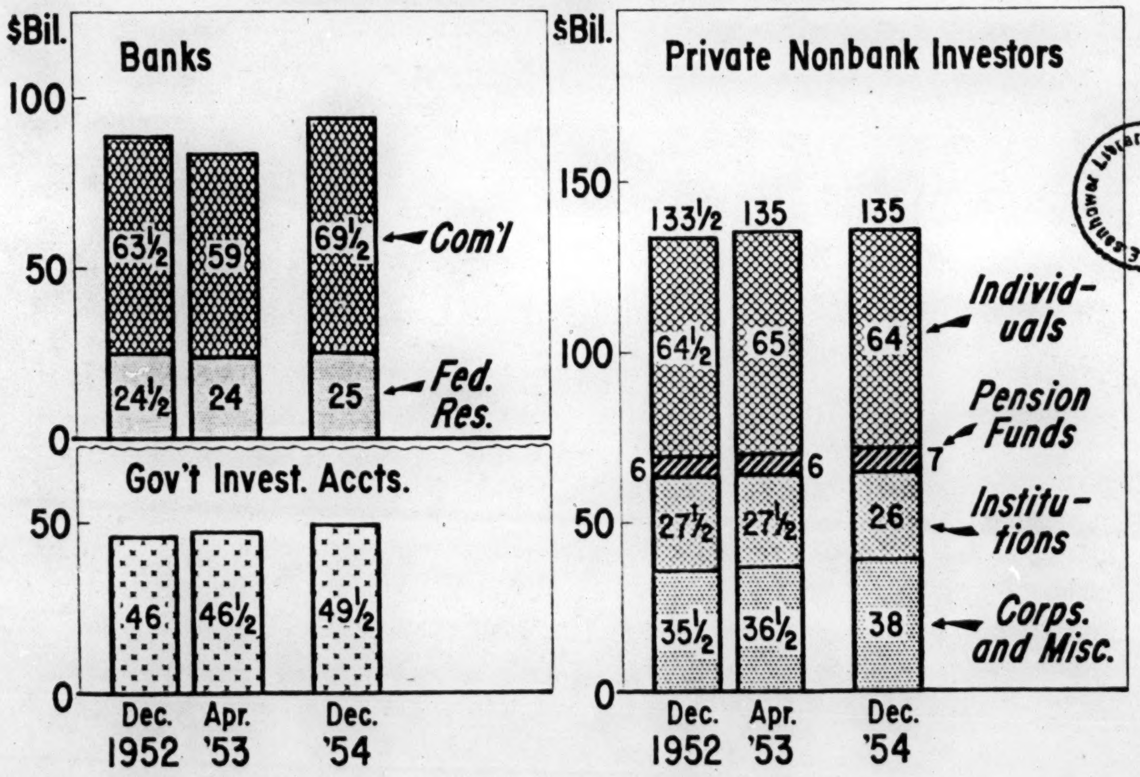
Individuals' holdings of Government securities are down slightly since the spring of 1953, with an increase of almost $2-1/2 billion in the widely-owned E and H savings bonds being more than offset by a decline in holdings of other securities. Pension fund holdings have continued to grow, principally in state and local funds.

Meanwhile, institutional investors -- insurance companies, savings banks, and savings and loan associations -- renewed their liquidation of Federal securities which had been temporarily halted in the first part of 1953. These liquidations, plus increased individuals' savings in these institutions, provided the primary source of funds going into new mortgages, corporate, and municipal securities.

The principal increase in nonbank holdings of Government securities since the spring of 1953 has been in Government trust funds.

Chart 5

OWNERSHIP OF THE DEBT



Office of the Secretary of the Treasury

B-1210

Long-term Bond Yields

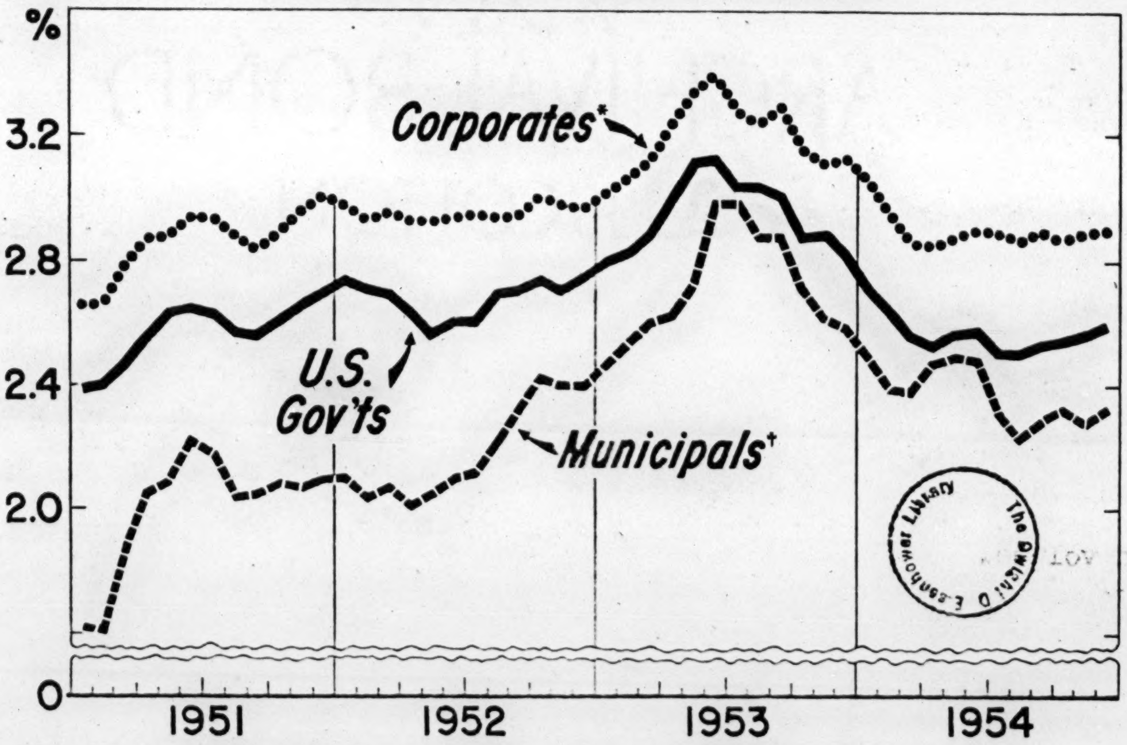
Long-term interest rates in all three major security markets -- United States Government, corporate, and municipal -- had already been moving upward through 1951 and 1952, and the increase became more marked in the first part of 1953.

This rising level of interest rates was a reflection of a very heavy demand for credit bidding against a somewhat restricted supply. As a result, prospective borrowers were discouraged somewhat from starting projects which would compete for the limited supply of available labor, material and capital, and many projects were postponed.

Similarly, credit ease from mid-1953 on through 1954 has been reflected in a generally lower level of interest rates in all of these capital markets. The lower level of rates and accompanying greater availability of credit encouraged projects which had been postponed earlier and aided the development of new projects as well. Interest rates have been increasing slightly during the last few months, however, as demands for funds have been growing.

Chart 6

LONG-TERM BOND YIELDS



*Moody's Aaa. †Standard and Poor's High-grade.

Office of the Secretary of the Treasury

B-1209

New Mortgage and Security Issues

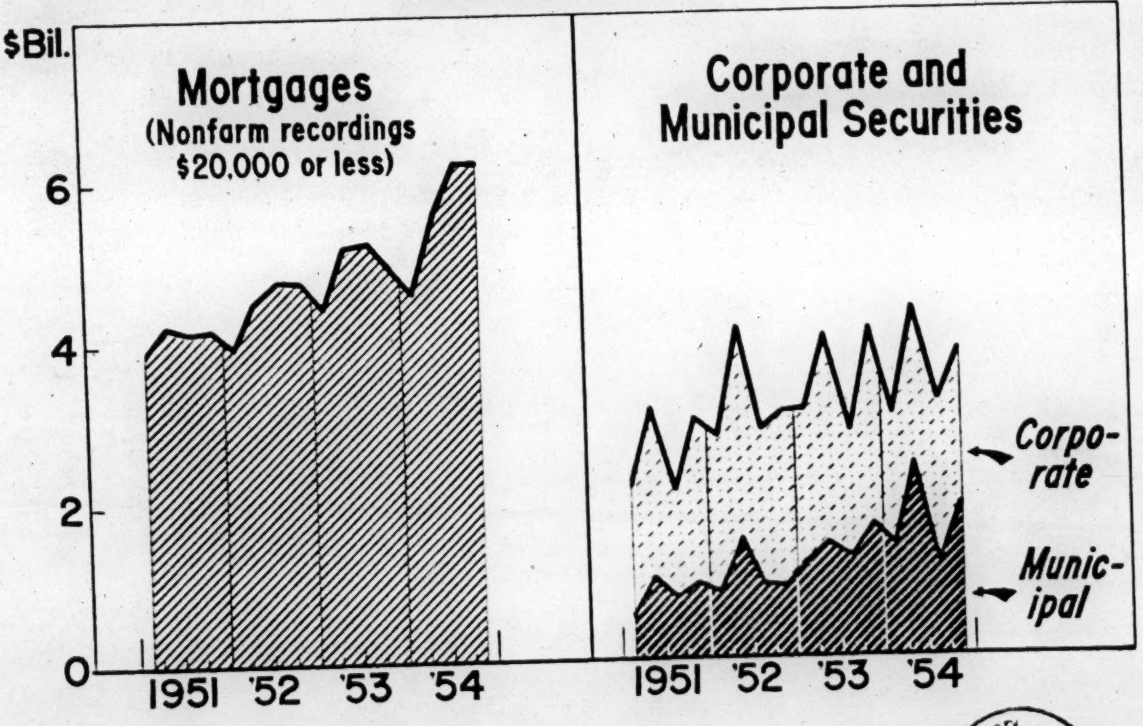
In making decisions on monetary policy and debt management, the Federal Reserve and the Treasury have watched with special care the market for mortgages and issues of new securities.

In these capital markets, higher interest rates and decreased credit availability helped to postpone mortgage and security issues in early 1953 to a later period when they would help sustain a high level of business activity rather than add to inflationary pressures.

The volume of new residential mortgages recorded during recent years has continued to rise, and the estimated volume in the last half of 1954 is at an all-time peak. There has been no let-up in the expansion of new state and local issues, where toll road financing has increased dramatically, and corporate flotations have continued in good volume.

Chart 7

NEW MORTGAGES AND SECURITY ISSUES
Quarterly 1951-'54



Office of the Secretary of the Treasury

G-992-1

Structure of the Debt

One of the long-term objectives of debt management is the improvement of the maturity structure of the public debt. That means a reduction in the amount of debt coming due within one year -- debt which is continually overhanging the money market and adding to the frequency and size of Treasury financings. That also means movement of more of the debt into the hands of investors who prefer obligations running five years or more to maturity. It also means selling more savings bonds to millions of our citizens because that is the best way we have of achieving a broader distribution of the debt.

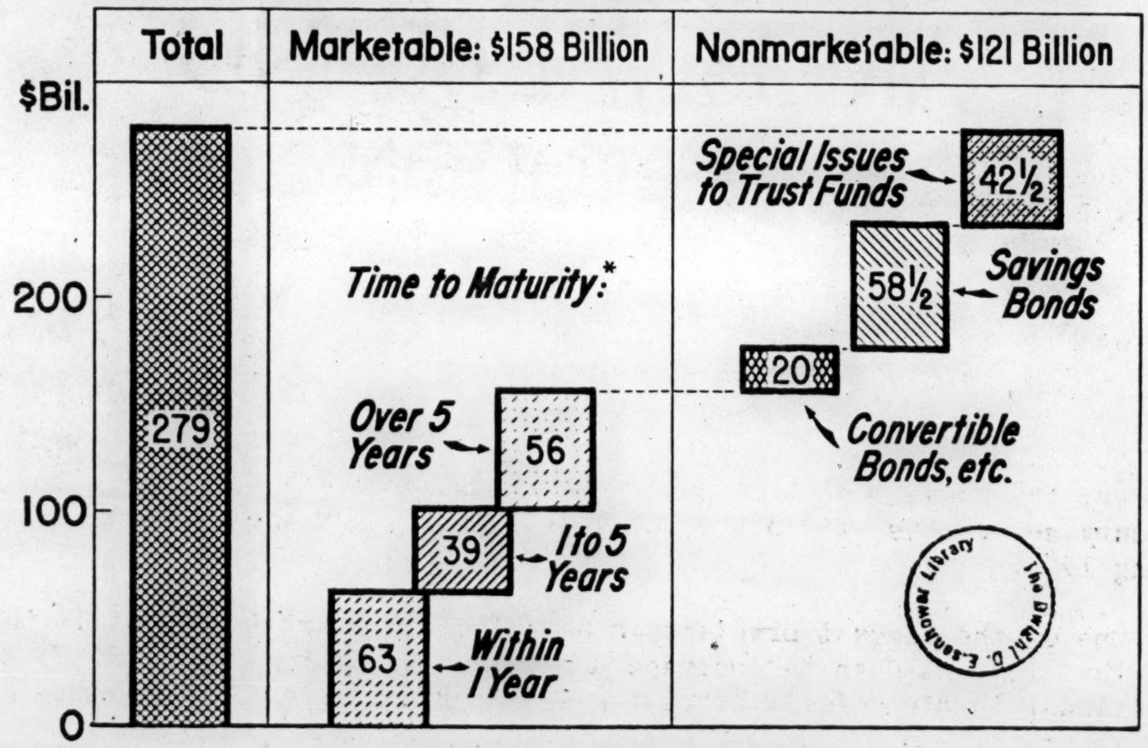
Our $279 billion debt in December 1954 divides rather naturally into two different types: (1) $158 billion of debt that is freely traded in the market (Treasury bills, certificates, notes, and bonds), and (2) $121 billion of nonmarketable debt with fixed redemption values and yields, a large share of which is payable before maturity at the holder's option.

As of December 1954, $63 billion (or 40 percent of the marketable debt) is in under one-year maturities. About $39 billion is in one-to-five-year maturities, and debt running more than five years to maturity amounts to about $56 billion.

Almost half of the nonmarketable debt is in savings bonds -- with more than $38 billion in E and H bonds, which are the heart of our thrift program and are held by more than 40 million Americans.

Chart 8

STRUCTURE OF THE DEBT DECEMBER 1954



*Callable bonds to earliest call date.

Office of the Secretary of the Treasury

B-1208

The Under One-Year Debt

Significant progress has been made in reducing the volume of marketable debt coming due within one year. The under one-year debt had grown from a post-war low of $49 billion in 1948 to more than $70 billion by the end of 1951, as nearly all Treasury borrowing in the market during those years was in short-term securities. There was little change in the under one-year debt during either 1952 or 1953, with a substantial deficit to finance.

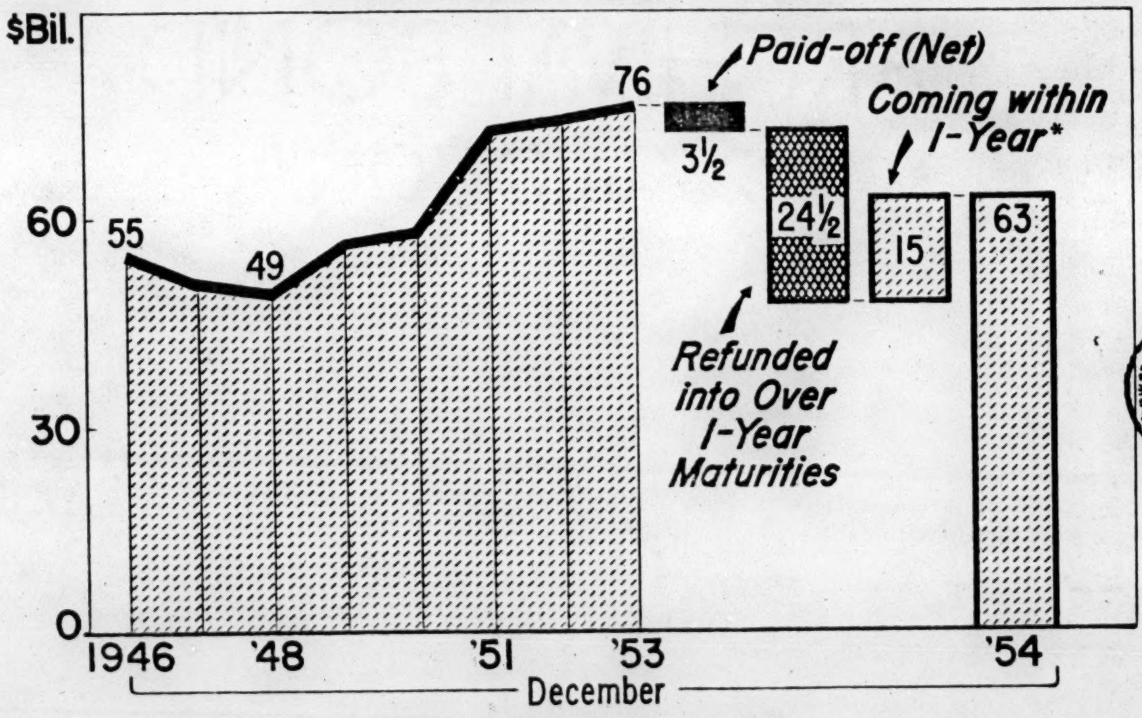
During 1954, the under one-year debt has been reduced from $76 to $63 billion. In accomplishing this $13 billion reduction, $24-1/2 billion of maturing issues were refunded into securities due beyond 1955, and net cash pay offs of maturing issues amounted to $3-1/2 billion. However, the passage of time brought an additional $15 billion of Treasury securities within the one-year category for the first time during 1954.

One of the biggest problems in handling the short-term debt is the fact that it continues to increase unless the Treasury is able to do a significant portion of its borrowing in intermediate and longer-term securities. The new Treasury 40-year bond, issued in exchange for maturing securities, is a further important step in improving the structure of the debt in 1955.

Chart 9

MARKETABLE DEBT DUE WITHIN ONE YEAR

(Callable Bonds to Earliest Call Date)



*Effect of the passage of time.

Office of the Secretary of the Treasury

B-1208

Average Length of the Marketable Debt

Reduction of the under one-year debt and increase in the debt over five years to maturity may be expressed in another way -- computation of an average maturity for all Treasury marketable securities.

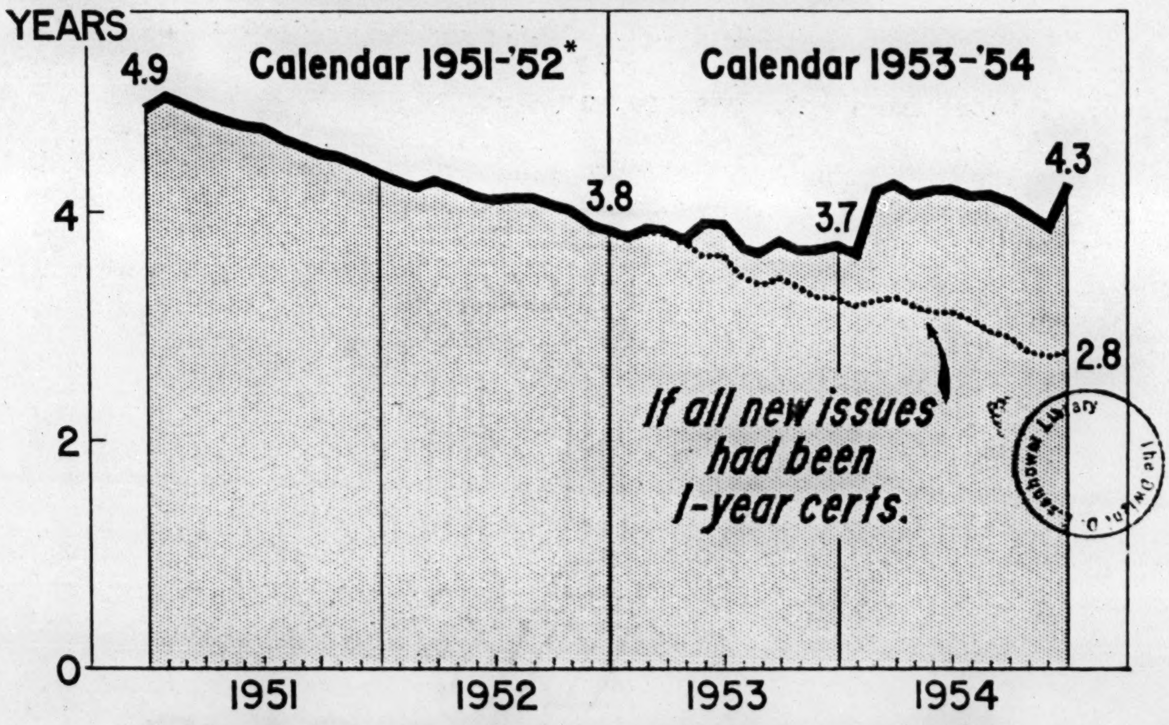
Four years ago, the average length of the marketable debt to first call or maturity was slightly less than five years (after adjusting to exclude securities exchanged in 1951 and 1952 for nonmarketable Investment Bonds). On two of the thirteen major market financings during 1951 and 1952 (excluding tax anticipation borrowing), the Treasury offered marketable securities outside of the one-year area. The other eleven financings involved only short-term issues, so the average length of the debt fell from 4.9 years to 3.8 years.

Since 1952, the Treasury has offered investors the opportunity to buy securities longer than one year to maturity, if they wished, in ten out of twelve major market financings. The average length of the debt virtually stopped its downward trend during 1953, and the present average of 4.3 years is half a year longer than it was last December. The average is expected to rise further when results on the new 40-year bond offering are in.

If the Treasury had done all its major financings during 1953 and 1954 through one-year certificates, the average length of the debt now would be 2.8 years rather than 4.3 years.

Chart 10

AVERAGE LENGTH OF THE MARKETABLE DEBT
(Callable Bonds to Earliest Call Date)



*Adjusted to exclude 2½'s exchanged for nonmarketable 2¾'s.

Office of the Secretary of the Treasury

B-1201

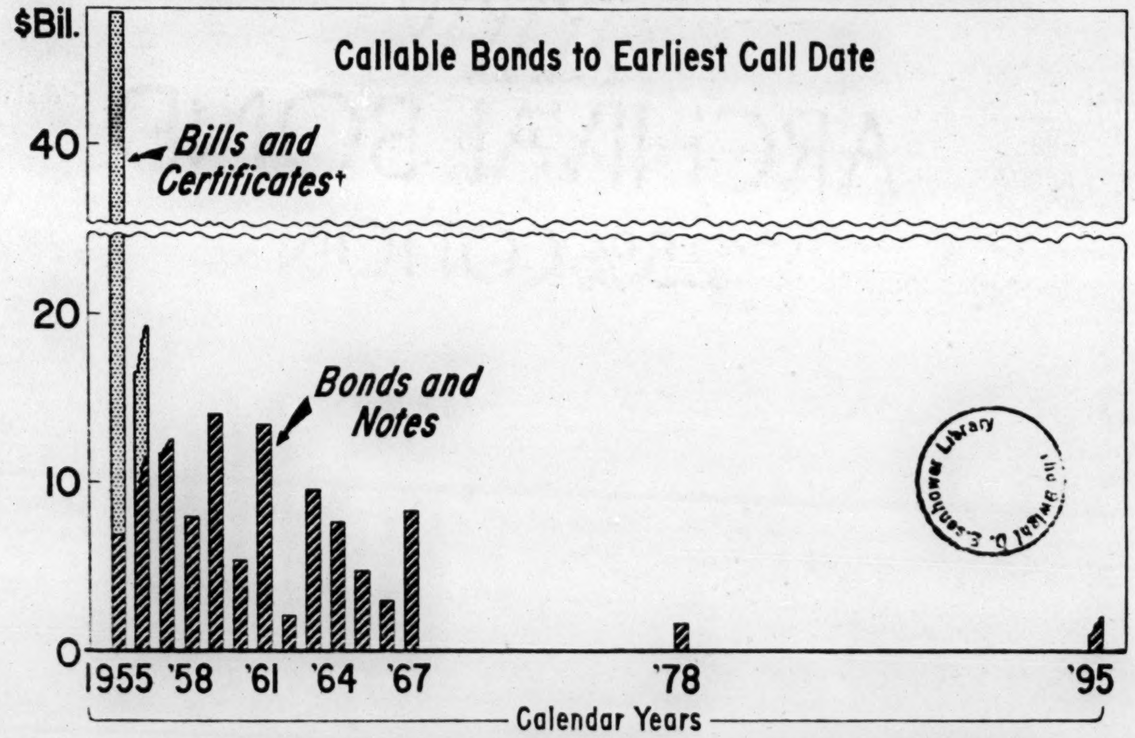
Distribution of Debt Maturities

The progress made during the last two years toward lengthening the debt has resulted in a much more uniform distribution of marketable debt maturities than was true in earlier years.

There is still much to be done, however, as the adjacent chart indicates. Although there have been major accomplishments in moving a considerable amount of the under one-year debt into intermediate-term bonds and notes, economic circumstances to date have permitted the issuance of only a limited amount of debt beyond 15 years to maturity.

Chart II

TREASURY MARKETABLE MATURITIES*



*Includes effect of February 1955 financing. †Includes 13-month notes.

Office of the Secretary of the Treasury

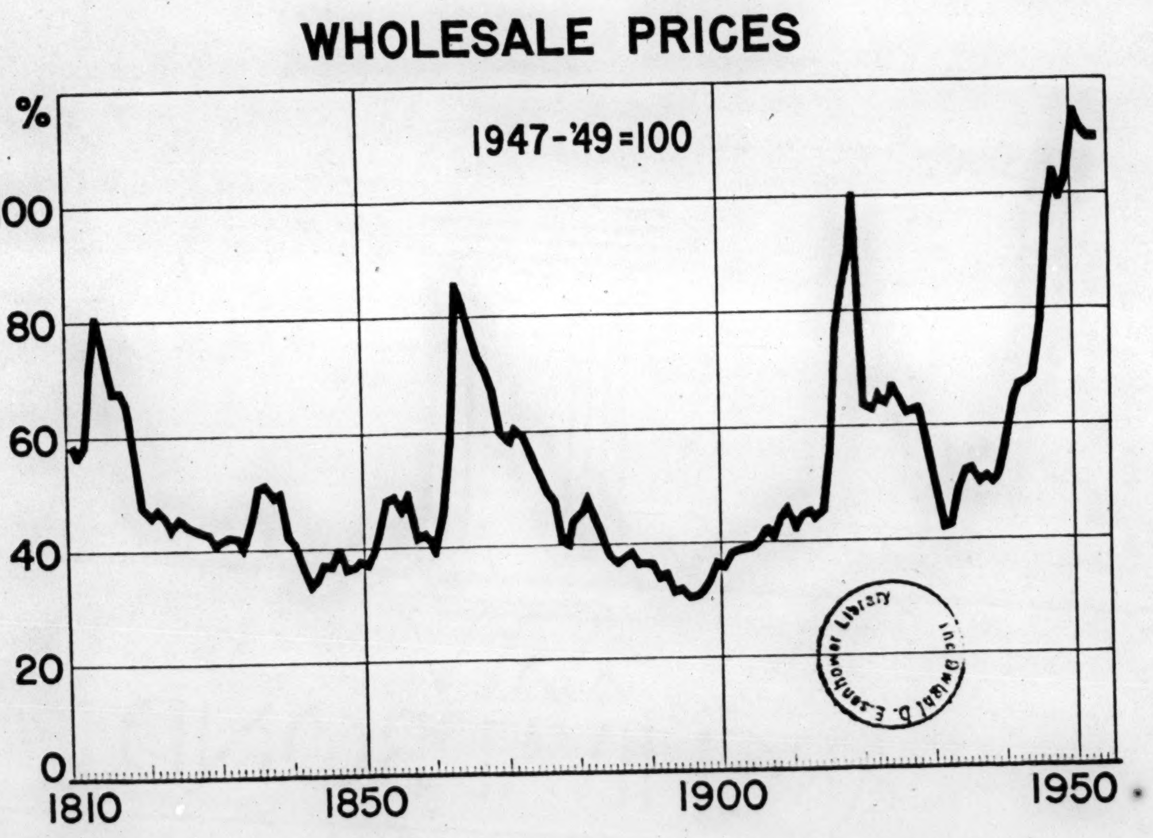
B-1215

The Long-term Price Trends

The long-term perspective of monetary and fiscal policy is illustrated by the movement of commodity prices during the past century and a half. Looked at so, we are still in a general area of inflation both here and abroad.

But our firm objective is to avoid both inflation and deflation and seek a reasonable price stability.

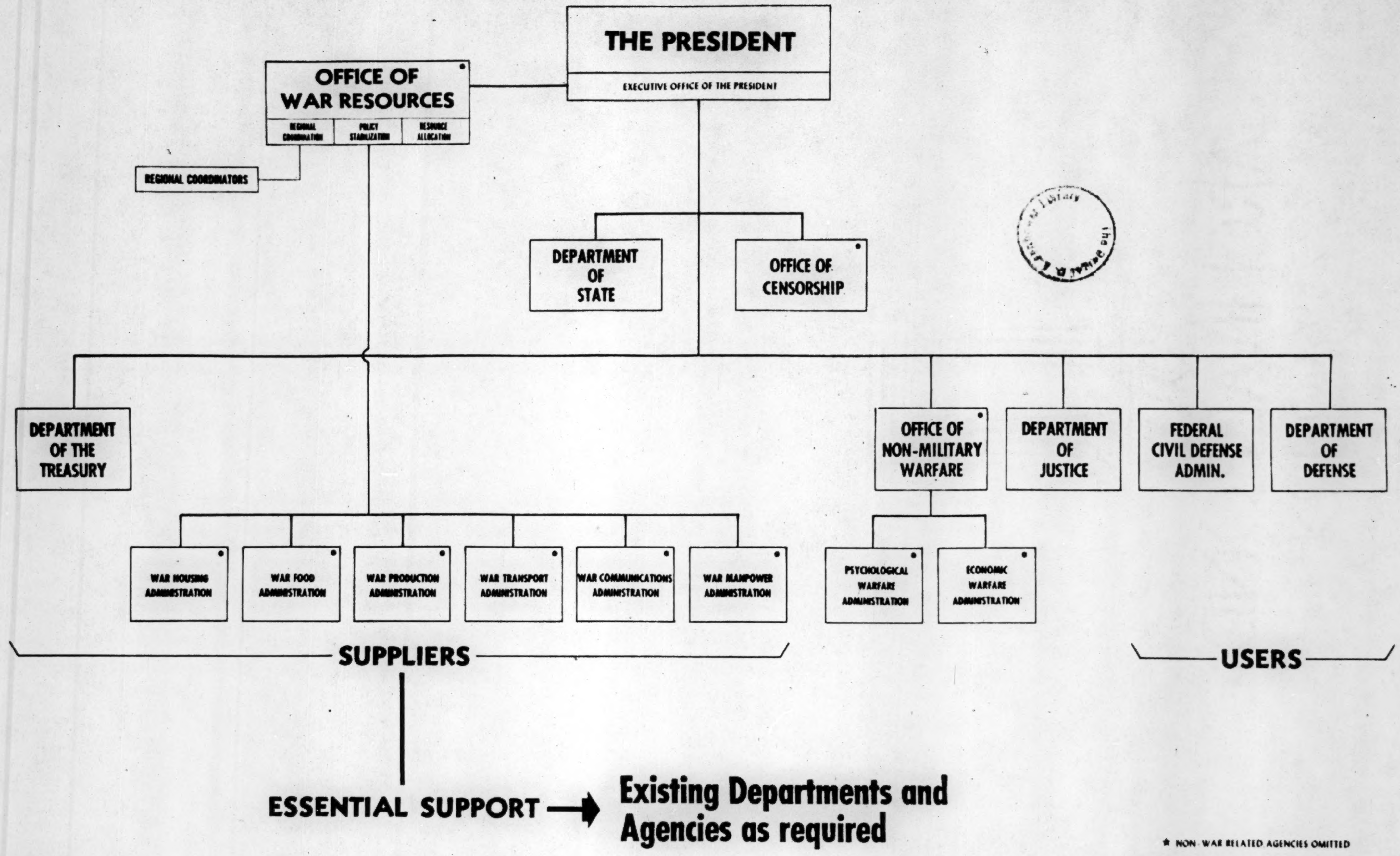
Chart 12



P-339

Office of the Secretary of the Treasury

PROPOSED WARTIME STRUCTURE OF THE EXECUTIVE BRANCH *


THE PRESIDENT
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF WAR RESOURCES
REGIONAL COORDINATION
POLICY STABILIZATION
RESOURCE ALLOCATION
REGIONAL COORDINATORS
DEPARTMENT OF STATE
OFFICE OF CENSORSHIP
DEPARTMENT OF THE TREASURY
WAR HOUSING ADMINISTRATION
WAR FOOD ADMINISTRATION
WAR PRODUCTION ADMINISTRATION
WAR TRANSPORT ADMINISTRATION
WAR COMMUNICATIONS ADMINISTRATION
WAR MANPOWER ADMINISTRATION
OFFICE OF NON-MILITARY WARFARE
PSYCHOLOGICAL WARFARE ADMINISTRATION
ECONOMIC WARFARE ADMINISTRATION
DEPARTMENT OF JUSTICE
FEDERAL CIVIL DEFENSE ADMIN.
DEPARTMENT OF DEFENSE
SUPPLIERS
USERS
ESSENTIAL SUPPORT →
Existing Departments and Agencies as required

* NON-WAR RELATED AGENCIES OMITTED

NEW WAR AGENCIES